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Comment

C. P. McCORMICK'S recent volume "Multiple Management" gave impetus to the use of committees in industry as agencies for sharing knowledge, suggestions and initiative on all phases of operation. Now two public relations counselors, Messrs. Belisle and Stoddard, describe a novel plan for extending committee activity down into the organization in order to improve the quality of public relations activity. At this time when public relations procedures are rightfully gaining fuller attention, this article makes an important contribution to effective techniques here.

Mr. Board's article on "Appraising Executives" faces a tough problem in a constructive way. He is considering how the performance of top executives can be candidly checked and appraised. His hints will be appreciated by under-executives who know the weaknesses of leaving the top men uncriticized and by head executives honest enough to realize the omissions of present practice.

Collective bargaining is being increasingly discussed from the point of view of improving its operational success. Mr. Tead's article goes a step beyond this and suggests that operational success has to be thought of in terms also of citizenship in the industrial world and in terms of the individual's total personal freedom as affected by his working life. The problem he poses is obviously construed in these terms because of the threats to personal freedom now taking place under other forms of government abroad.

Mr. Farquhar's contribution focuses on an area in which American management thinking stands in great need of further clarification. His observations will be found fresh and pertinent to the organizational problems faced today by many companies. It is a source of gratification that we are able to offer this keen analysis as a worthy addition to the meager literature of a vital and neglected field.

The series by Mr. Hathaway is a distinguished contribution to the exposition of the "Taylor movement" by one of its early exponents whose long experience has enabled him to interpret Taylor's principles in solid relation to the needs of today. Applications of the scientific management approach have lagged in the selling field; but this article helps to show how they may be made.

Public Relations Committees

A New Management Technique

By EUGENE L. BELISLE AND WM. LEAVITT STODDARD

Stoddard & Company, Boston

"... the emergence of new knowledge enforcing an increasing measure of specialization and hence of discrimination of function, has greatly outstripped our social inventiveness in devising organization patterns to take care of the new situation."—
MAJOR L. URWICK before the Institute of Management, New York, September, 1938.

SUPERLATIVES are almost always wrong. It is nevertheless possible to say that a new management technique called the public relations committee system, is not only an effective method by which a business organization can improve public relations, but that it is also a development in management engineering of fundamental and far-reaching significance.

Quite apart from results in customer, community and general public relations, the system has reflected its value in operating efficiency, internal co-ordination, executive and personnel morale, and in the fuller use of the potential individual and collective power for generally more efficient business practice.

The public relations committee system is new. To the best of our knowledge, it is only about two years old. Its experience record is limited to a few companies. The two of these of which we have intimate knowledge form the basis of this study.

Its importance may be gauged by the standing of the companies which have found the system a logical, integral development; by the fact that even in its early stages of growth within these companies, it has won skeptical executives to enthusiastic endorsement; by the fact that neither of the companies has abandoned the system; and by the fact that these companies, which began by testing it in a limited way, have continued to expand its functions.

A one sentence definition of the public relations committee system would be the development, through new committee forms, of an internal mechanism for determining the public relations problems of a company, creating attitudes of mind favorable to their solution, arriving at sound methods for solving them, and activating the organization on a planned, developmental program for their solution.

Why is the public relations committee system so sig-

nificant from the standpoint of personnel relations and management? The answers are:

1. It draws executive, lower supervisory and rank and file personnel into a unified relationship, on a round-table basis for the purpose of creating better public relations.
2. It objectifies all problems by visualizing them in the light of the external influences of public and consumer opinion, rather than management wants and employee desires.
3. It removes the concept of *grievances* from such personnel problems as are raised in committee and substitutes the concept of public desirability for one or another policy.
4. It opens the door to every employee and executive in an organization for as full *participation* in company thinking as he is capable or desirous of. (Incidentally, the ramifications of the system in identification of potential but obscured executive and leadership abilities among the lower ranks of supervisory personnel and in the rank and file of operating personnel have been significant.)
5. It implies a total abandonment of appeals to "loyalty" as substitutes for the better engineering of social adjustment of individuals striving to excel.
6. It creates a natural and unobtrusive forum and opportunity for employee economic education in the problems of their company. Naturally, complete frankness in the handling of questions as to company income, expenditures and policy are essential as the basis of confidence.

The *form* of the public relations committee system within the framework of management and organization presents an unspectacular and, to some executives, complicated and discouraging picture. On the surface it would seem to be merely a multiplication of committees

cutting across departmental lines and management levels; an increase in the talk rather than the work function; a confusion of the responsible centers of policymaking and executive decision; and an interference with the line organization in the sphere of action.

That such seeming obstacles are either eliminated in capable practice or are far out-weighted by other benefits is our conclusion and evidently that also of the companies now practicing the system. More than any other system the public relations committee system is a *process* rather than a *form*. Certain of the *forms* of interdepartmental relationship through co-ordinating committees, for instance, had already existed in policy and on the charts in one of the companies pioneering with public relations committees. But once the new committee system got under way, executives and supervisory officials testified to the greatly improved co-ordination actually achieved.

Today, in the two companies which have worked along this line for two years, almost any executive will endorse the system on *numerous* grounds: co-ordination both in the sense of mechanical functioning of service, and in the sense of ideological co-ordination in business planning; efficiency, that is, increase of productivity, limitation of waste, etc.; and organization morale, including the heightening of individual interest in, knowledge of and sense of identity with the organization and the *broader human society* which it is designed to serve.

We may illustrate the points of similarity and difference in the development and functioning of the systems in two large organizations, as follows:

I. The A Company

The A Company is a public service corporation doing business in several states. Executive management includes: president; secretary; treasurer; general auditor heading the accounting department, which is considered as an operating department under the new committee system; four vice-presidents,—legal, personnel, public relations and general manager. Under the general manager are the heads of four departments,—engineering, plant, distribution and sales. These four department heads together with the accounting department executive on the same executive level were constituted as a general public relations committee.

The vice-president in charge of legal affairs and the vice-president in charge of public relations and his as-

sistant "sit in" with this committee, but not as voting members. The vice-president in charge of personnel, the president and other top executives also sit in on occasion. The committee has an advisory staff committee composed of specialists from each of the five departments.

There are five territorial divisions within the A Company, each with plant, distribution and sales managers on the same executive level. These executives in each division were constituted as five division public relations committees, with active or "sit-in" membership by executives of the engineering and accounting departments on as nearly the same executive level as possible.

A similar situation existed and a similar procedure was followed in the district areas within the divisions. One aspect of the whole committee development is demonstrated by the fact that the district committees "grew" according to the degree of interest and point of view of division and district executives. In one division, district committees do not exist. The division committee holds its monthly meetings in various district offices by rotation, and district supervisory officials are invited to sit in. Somewhat the same results are obtained as are obtained by district committees in other areas.

There are thus public relations committees functioning on three distinct levels of the executive hierarchy: the general committee, the division committees and the district committees. Each of these committees cuts across departmental lines and places *company public relations* to the fore as their only purpose. From a practical standpoint, there is no aspect of company business which does not fall within this category. This has been the guiding principle from the start.

While the committee represents a far-reaching modification of methods of determining policy by increasing the influence of down-the-line executives, care has been taken to maintain basic relationships between the different levels of the executive hierarchy. The general committee issues plans, projects, recommendations and decisions to the division committees, which, in turn, have direct relationship with the district committees. The reverse flow follows through the same channels, there being no direct relationship between the general and district committees. It is interesting to note that the district committees have become the chief source of recommendations for various policies and projects, with the higher committees fulfilling the role of deciding on recommendations, rather than originating any but broader guides to thinking and action.

Thus far, the system will seem to go little beyond

the functioning of committees in a decentralized, "functional" form of management organization. The differences, however, are marked in practice.

Every division committee meeting is attended by one of the five members of the general committee. This brings each chief operating executive, in rotation, into close contact on a working basis with the men with whom his five divisional subordinates next in line must co-ordinate with most closely. Special problems in the province of one or another operating executive thus naturally arise at a meeting which he attends. The cumulative effect of the system is to create an increasingly higher degree of direct co-ordination between *the different levels of different departments* of the executive management, one of the weak spots in most organizations.

The vice-president in charge of public relations or his assistant also sits in at each division committee meeting as an unofficial liaison with the general committee. He is thus available to supplement the minutes of the general committee meeting which have already been circulated among the division committee members, pass ideas along, and carry back to the general committee the views of the division committees. The public relations staff, however, plays a background role throughout the committee work.

District public relations committee meetings are also attended by division committee representatives in rotation, with the same results in closer contact and co-ordination.

The chief difference between these committees and most other committees of management, however, lies in the influences under which they work. They meet for the purpose of planning and executing the improvement of public relations. The result of this purpose is the objectifying of the business problems which arise, the dissolving of internal friction and the developing of an executive outlook which sees the company in the light of consumer and public wants and desires.

In Company A, the plan for the development of a committee system, outlining the general and division committees only, was circulated at an early stage among supervisory personnel down the line, including those on district and lower levels. A questionnaire was also sent to each person of supervisory rank asking for ideas on what the company should do to improve its relations with the public. A large percentage of the responses contained ideas suitable for adoption. Some became the basis for projects subsequently developed and administered through the committees. Naturally, the general

committee has been careful to keep supervisory personnel informed of these and all other steps and has given credit to individuals and committees.

Definite projects for each department are determined every six months and circulated among the supervisory personnel. In some instances these projects are identical for all departments, thereby emphasizing a company-wide program of development in this field. In virtually all instances, each department project calls for some measure of co-operation with other departments and this is outlined under each department's projects in the plan. A report on the work accomplished in carrying out the projects is made every six months to the president of the company.

Projects usually cover a period of six months or more. They are limited to less than half a dozen for each department at any time. They vary from such broad ones as "Improving Contacts with the Public" and "Showing the Public our Plants and Offices," to such technically complicated matters of operation as "Improved Billing Service" and detailed steps in service operations.

Evidence partly of heightened morale and partly of increased facilities for interdepartmental co-ordination resulting from the public relations committee system have been notably apparent in the engineering of some new aspects of service *which management had hitherto sought but been unable to accomplish*. In this respect the public relations committee system apparently embraces some of the functions performed by group job analysis meetings in various companies, where amazing results have been achieved.

Various improvements in the engineering of sales, advertising, publicity, public contacts and other external promotional efforts form, of course, some of the major works of the system. The needs of technical research and development in almost every aspect of the business have been more clearly defined and subsequent changes better introduced via the system. The measurement of the relative importance of various consumer wants is determined with improved accuracy.

The system has its influence and ramifications throughout all phases of management thinking and practice, and is now apparently established as a permanent method in management.

II. The B Company

The B Company is a regional food manufacturing and distributing organization, selling both to dealers and

to consumers directly. Its management consists of an executive board of fifteen operating executives—a committee system at the top with line organization beneath each head.

The general idea of tackling problems of improving public relations by marshalling the down-the-line executives of the organization into committees was approved by the board, but without any formal plan of the final set up or relationships. As in the case of Company A, the subsequent growth of committees was determined by the degree of local interest among various groups of executives and supervisory officials. The organization and functioning of the committees were undertaken by one of the operating executives designated by the president, with the assistance of the assistant to the president.

Unlike Company A, Company B committees were encouraged to establish sub-committees of personnel reaching down to the lowest supervisory levels in individual branches and departments, and even to embrace non-executive personnel within the system. Committees did so or not according to the views of their individual members, which included, of course, the sales managers of branches in various communities. A high degree of local project planning was intentionally encouraged for a considerable period even at the expense of some "wasted" time, through the philosophy that the primary problem was to develop independent and vigorous thinking all the way down the line. Nearly a year of functioning passed before a three-point program for all committees was proposed and adopted at a joint all-day conference of all the committees.

The first committees to be formed corresponded to those of the Company A district committees. By personal report and occasional news bulletins, all committee members were kept informed of the thinking and accomplishments of other committees. Thus, side by side with new machinery aiding interdepartmental co-operation and co-ordination, the competitive influence was brought to bear on committee progress.

After about a year and a half of district committee operation, a general committee was formed, composed primarily of executives in posts of divisional management; i.e., between the artery executive and branch management levels. The committee grew as a logical step in answer to the need for such a body to facilitate decision and action on recommendations arising out of the local committee meetings. Prior to that time, the two representatives designated by the president to develop the committee work acted as liaison between the committees and the various line executives.

Among the chief problems which were insistently raised in the Company B committees were various barriers to efficient sales co-ordination between sales outlets handling different products. The committees were allowed to devote a good deal of time toward working out these problems. Gradually, those guiding the committee work encouraged more attention to new aspects of public relations and company promotion. The same was true of co-ordination between plant and sales departments. Numerous minor weak spots in the unity of company operations were gradually strengthened. One consequence of the committee work was to bring into sharp focus the extent of disparity between the action of different departments, particularly in ultimate operations of sales and service people down the line—a disparity which only a few executives had hitherto observed. No disparity appeared insoluble, however, once the down-the-line co-ordination got underway.

In the first year and a half of operations, the public relations committees raised more than 250 problems requiring consideration and action. Some dealt with incidental methods which could be modified for all future operation in relatively simple fashion. Some consisted of broad projects involving major study, planning, organization education, etc.

A few examples of the 250 are as follows:

1. *Improved telephone reception to the public.* This resulted in the development of a permanent check-up system, reminder system and educational effort on telephone courtesy and technique; preparation of various information sheets for different persons and offices; check-up on physical equipment; etc.

2. *Community contacts.* Education of managers and their activization in a systematic cultivation of community leaders, public officials, organizations, etc.

3. *Reception of public in plants and offices.* This led to general personnel education, chiefly via the sub-committees; improvement, in most cases at little or no cost, in appearance and facilities for public reception; development of showmanship in the selling of company and product to all visitors.

4. *Handling complaints and claims on accidents involving company vehicles.* The study of this problem resulted in numerous changes in methods of handling, both to the public and within the organization—a revision of much of the internal machinery.

The detailed methods of obtaining decisions, co-operation between departments and action on proposals emanating from any committee or from top management executives present a fascinating record of the

process of modification of the line operations of departments to gain down-the-line co-ordination. The best measure of the value of the public relations committee system is that it has supplied the most effective method of obtaining favorable action on a plan desired by the majority of responsible and thinking executives of an organization, but impossible to sell to some key individual, without disrupting or complicating internal executive relationships. It brings to bear the quiet, persistent pressure and influence, well-balanced between the conservative and the progressive, of *numbers*. It thus resembles the *multiple management* system,¹ while going far beyond it and building a higher degree of public and public relations consciousness into executive and organization thinking.

In Company B, the formation of the public relations committee system did, in fact, create a situation calling for the adoption of a basic principle of multiple management, and this was adopted by decision of the executive board. Hitherto, all recommendations coming before the board were presented by one or another of the line executives sitting as members of the board. If views of down-the-line executives could not be "sold" to their immediate superiors they never came before the board. At a stage in development of the committee system it was decided that a formal recommendation by a district committee requiring ultimate decision by the board would come to the attention of the board automatically via the executive in charge of committee work. This amounted to an increase in power for district executives *collectively*. But the fact that it could only be used collectively restrained the too-enthusiastic or inconsidered use of it.

Is the public relations committee system useful for companies of many different types and sizes? Only a theoretical answer can be given. The two companies described are both reasonably large organizations, one embracing 20,000 the other about 4,000 persons. Their differences in viewpoint as to the value of committees in the lower supervisory levels and in the operating personnel level throws some light on the question.

Although Company A has followed the policy that it is of little value to extend the system to include lower supervisory personnel, Company B has followed a diametrically opposite concept and feels that some of the most marked benefits result from the participation of people on these lower levels. It is significant that Company A feels that executive morale has improved more markedly than general personnel morale. It is

likewise significant that some of the most marked results in employee morale in Company B have occurred in individual branches where rank and file participation has been most highly developed.

Since branches employing as few as twenty persons have found great value from the system, particularly in improving matters solely within the field of branch operations, it would seem reasonable to say that the system would be applicable to a business of even small size.

A few guides to the operation of public relations committees are as follows:

1. Organize a committee to analyze and solve the public relations problems of the company in their department or area, rather than to carry out organized projects handed down from above.
2. Develop the interrelated, dual concepts of "To make the _____ Company a better Company to work for" and "To make the _____ Company a better company to do business with" as the guiding purpose of the committees.
3. Let higher executives or "public relations" men who sit in with the committees stay in the background rather than dominate the meetings.
4. Limit the size of any committee meeting to about eight for executives and higher supervisory personnel, twenty for lower supervisory and operating personnel.
5. Limit the time to about two hours, once a month (once every three months for lower supervisory and operating personnel).
6. Limit paper work to a minimum. In addition to committee minutes, keep only one central record of specific recommendations, their status awaiting decision or in action, and their final disposition.
7. Educate the committee through its chairman to an orderly conduct of business:
 - A. One or more known problems or topics for suggestion announced in advance.
 - B. Reading of minutes of previous meeting. Reports on disposition of each recommendation. (Decisions or views of other committees, the general committee or the top executives are naturally reported at this time.)
 - C. Report from each member on one accomplishment in improving public relations since the previous meeting.
 - D. One suggestion from each member for future improvement of public relations for the consideration of committee.

(Please turn to page 160)

¹ See "Multiple Management," The Society for the Advancement of Management Journal, January, 1938.

Appraising Executives

By SAMUEL S. BOARD

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PEOPLE who are quite willing to have other people put under the microscope and studied are seldom willing to undergo that process themselves, and executives are no exception to that rule. Yet it is more essential that this be done now-a-days than it ever was before. Organizations have become increasingly complex. Ownership is vested in a multitude of people instead of one man or a small group of men. Responsibility has been divided and subdivided until it is frequently difficult to determine just where it does lie. Instead of keeping before them the ultimate aim of their organization, whether it be profit or service, those in control of operations are likely to be concerned with keeping and magnifying their own jobs.

It is even more important, therefore, than it ever was before to see that the welfare and objectives of the individuals in the upper ranks are in harmony with the welfare and objectives of the organization as a whole and with those of the large and frequently inarticulate group of owners. These, in a larger sense, should also, of course, be in harmony with the objectives of the nation as a whole.

With this fact in mind, it is my purpose to present a technique for the study of one phase of this problem; namely, the evaluation of the individual executives of a company who are not only responsible for operating efficiently but have a large part in the determination of policies and the clarification of objectives. Any such effective technique is a tool which, if misused, can do a great deal of damage. Above everything else, it must be employed with consideration, fair-mindedness and the utmost of skill possible.

After such an evaluation is once made it should make possible a recurring audit which will be complementary to the financial audits, the market surveys and the stock-takings which are so essential to the regulation of business activities of the present time. Some day we may be able to weigh human factors so that a personnel audit of this sort can also be reduced to a numerical computation. Though they are still far from accurate, the use of tests and ratings for this purpose have become commonplace in the educational world. They are

also used to some extent in evaluating the lower ranks of government and business. The higher one goes, however, the more complex the factors become and the more intangible the elements involved.

The first is the financial one. If business is good and profits are large, the tendency is to let well enough alone. Promotions and readjustments are based on the apparent profit being made by the departments concerned and without much study of individual abilities or preparations for increased responsibilities. When profits are small a "saviour" is sought outside the present staff, even though he may be known only by reputation, or the top men are fired and those below given increased responsibilities without increases in pay or change in title in the hope that they will be able to carry on and the higher salaries saved.

The other factor has been, and is still likely to be in smaller units, the personal liking of the chief executive or his main assistants for those under them. Where this factor is dominant it is taken for granted that the views, habits and methods of those in the lower executive ranks must agree with those at the top. If John Smith is a good golfer, an acceptable dinner partner and is willing to keep his personal ideas to himself when they do not harmonize with those of the boss, he is likely to be shoved up the ladder when vacancies occur. The development of the well known tribe of "yes-men" is the result.

Now there is no denying that both these factors are important. If a business is making money or if the services rendered by subordinates are, in the main, satisfactory to those served, the chances are that, at the moment, the persons in question are reasonably well fitted for their jobs and functioning with sufficient effectiveness. It is in times of prosperity, however, that the germs of future trouble develop. Laxness and waste creep in. Mediocrity is promoted without much thought, and discipline is put aside for development of pleasant relationships.

Subserviency to the ideas and wishes of the chief also brings its own penalties. New ideas gradually cease to make their appearance. The lower ranks be-

come filled with those unable to make decisions for themselves and when the need for meeting new conditions arises or the higher executives are changed, the burden involved in making important decisions which is placed on them becomes well nigh intolerable and hardly to be borne.

A regular personnel audit will not, in itself, cure either of these difficulties but it can help to prevent them by pointing out the weak spots and thus making possible readjustments without confusion which will provide for a well-balanced staff and a proper distribution of responsibilities. Then, when the pressure comes it will be met at various levels instead of being concentrated at the top.

I shall confine the present discussion, therefore, to a presentation of a qualitative method of making such a study and the uses to which it may be put in adjusting organization difficulties and providing more effective operation.

As has been intimated, however, there is an even more fundamental reason for making such a survey and repeating it regularly. No business can afford to be without any information essential to the proper conduct of its affairs. A personnel audit supplies the missing link in the chain of reports which are necessary. We have ignored too long the human factors which, in the end, may make or break the enterprise.

More than ten years ago I listened with a great deal of interest to one of our foremost industrial engineers defend the thesis that any sharing of the profits resulting from increased efficiency should be made with the engineers and executives rather than with the rank and file of workers, since the executives were really the ones responsible for the increased efficiency and profits. Without agreeing with the wisdom of this policy from the management standpoint or ignoring the vast possibilities of increased efficiency accruing from the enlistment of the interest and brains of the entire working force, it is still possible to recognize the fact that, at the present time, both the profits and the losses are vitally affected by the efficiency of the executive personnel and that it behooves any company to see that this personnel is competent, well chosen and properly placed.

While a great deal can be discovered by a careful review of the qualifications of a prospective employe it is just as necessary to continue to study his personality, his work and his relationships over a period of time and on a progressive basis.

Without further justification then, let us discuss just how such a survey should be organized and conducted.

The Company

The first step is to assemble the facts known about the company as a whole. Such questions should be asked as:

What is its task? Is it assigned or self-sought? What is the status and importance of the industry of which this company is a part? How is it related to other national industries?

What is the status of this company within that industry? What share of the total business does it control? What is its financial standing? Its corporate structure? What does its organization chart look like? (If there isn't one, you will have to make it.)

What are its hiring and firing policies? Are there many relatives in the outfit and is it closely held or has its ownership been so diffused that its owners are not closely identified with its operations? Has it made any effort to level off production peaks and valleys or is it a seasonal business? Has it any well-defined promotion policy?

There are other questions which should be asked, depending on local conditions and upon the point in the economic cycle at which the survey is being made, but those just listed are the ones most essential in drawing the general background against which the individual pictures must be painted. It may be thought that it will be necessary to ask most of these only when an outside agency is making the study, but that is not the case. We are sometimes so familiar with our own surroundings that we ignore essential factors in a situation when it is only by an intelligent and ordered review of all of them that a proper perspective can be obtained.

Many new questions about the background will arise as the inquiry progresses and these must be answered when they arise but the material indicated above must, at least, be acquired and reviewed in advance.

The Individuals

The next step should be the assembling and review of the individual histories of the people involved. Most of this information can be obtained from the personnel records but it is surprising how many facts that are essential are missing from such records, even in the best of well-organized companies. This will be true even about those with whom we may have worked closely and known intimately. Such gaps must be plugged with as much tact as possible, consistent with the inquiry to be made. Among the things that it is

desirable to know about the individuals are the following:

Background, family, early interests, ambitions, etc.; Education, including special interests and preparation for work; Experience before coming with the present company—in detail; Social and avocational interests; Memberships in business and professional organizations; Financial commitments; Present and past family responsibilities; Health and, of course, age.

In collecting this information one should remember that the personnel record may have been supplied when the individual was applying for or considering a specific job. Under such circumstances men are frequently so anxious to high-light their records so as to prove their fitness for that job that they consciously or unconsciously neglect to give the full story and so may omit something which may be of real value in considering them for new opportunities. I see no especial harm in this practice provided the full story is told in addition, but this tendency must be watched for, especially in making an investigation such as we are discussing.

A good deal of this missing information may have been obtained by the personnel interviewer or executive responsible for hiring but it can be said without much fear of contradiction that much of this will not have been recorded. It is important, therefore, to interview those who have done the interviewing and "dig out" as much additional information as they can remember. Just how this should be done will be discussed later.

The Group

After having got all this material together and supplemented by a discreet independent investigation, it is well to review it again in order to obtain a picture of the background, education, experience and general status of the group as a whole. The impression thus gained should be recorded and compared with the facts about the company as a whole and with such general information as can be obtained about the executives in other similar organizations. Some of the questions to which answers should be sought are the following:

Does this group measure up in education and experience with those in rival companies?

Does the group as a whole appear to be at ease in intercompany conferences or are the individual members at a disadvantage?

Is the general pay level about the same, higher or below that in other organizations of similar business, size and location?

Has the group any mutuality of interest and culture?

Do the members show a willingness to work together or is it "dog eat dog" and every dog for himself?

Are there distinct variances in ability, experience and pay between persons on the same level or abnormal ones between levels?

Many companies will be organized by a group of men of about the same age or hire a number of the same age at one time and then not feel the need of hiring others to succeed them for a long time. As a result a business generation may be missed and the men who eventually succeed to responsibility will be both relatively younger and of less experience.

There is another question which is important but which must be handled with the utmost delicacy if any inquiry is to be made about it at all. It is essential to know about the social and racial homogeneity of the group. Some employers make a determined effort to choose their subordinates from a variety of backgrounds. Others may, by preference or otherwise, choose them largely from one type of environment. Whichever course is followed, the results are distinctive and must be reckoned with.

Review

Having thus developed background and blocked in the masses of color, the next step is to paint in the details by a careful study of all the information available about the individual men and women. To complete the picture it will be necessary to talk with a good many of them personally, but before this is done much time will be saved and advantage gained by digesting the information already obtained. This will include, of course, not only a personal history statement for each one but the results of any investigations which may have been made and a complete record of work in the present company, including a detailed description of their present jobs. The order in which this mass of information is reviewed may be considered a matter of personal preference but it has always seemed to me more satisfactory to start with the top man himself and work down, since he is most likely to color the views and actions of those below him.

Notes should be made at this time about facts still missing, discrepancies or inconsistencies and points of special significance which should be checked during the interviews. These notes may be attached to the individual files, provided they are kept in your possession, but it is well also to have copies of these summaries in

a looseleaf notebook of pocket size which can be used for the making of notes during interviews. If the number to be interviewed is so large that the summaries do not refresh your mind sufficiently, a digest of the salient facts about each person may also be included and placed opposite the summary of discussion material.

Interviews

The next step will depend upon whether the audit is being made by a person from the outside or the inside. If it is being made by the former and the personnel director is anxious to be helpful his office should be the first port of call. If he has already supplied his recollections in the form of individual summaries, including characterizations, time need be taken only for a check upon moot points or missing facts. If not, such characterizations should be secured from him verbally. The most important of all will be information that he may be able to give you about the characteristics and theories of the chief executive, who should be the next person on the list.

In case there is no personnel director there is usually some executive who has been more interested in and responsible for the recruiting, interviewing and hiring than the rest. You should know who he is by this time and if he seems in sympathy with your efforts he may be approached instead. It probably will be necessary in this case to explain your objectives and something of your methods. If it is possible to say something nice about the personnel as a whole and still be honest that will help to break the ice. Any sincere compliment about the methods he, himself, has used in personnel matters will, of course, also help. There is a double need for explaining your work carefully to such a man. If he has filled the role you think he has, he will be the first one sought by the rest of the staff when the general interviewing begins, and if he understands and is sympathetic half the battle in gaining the confidence of the staff will be won. Without this keyman's help the rest will be uphill work and a struggle all the way.

Not only should notes be made during this interview, as far as possible, but as much additional information as can be remembered should be recorded directly afterward and sorted out the next day. This new information should also be correlated in your thinking with the information previously obtained.

The next interview should be with the man who gave you the assignment, whether it is with the banker con-

cerned, the Chairman of the Board of Directors or the President of the Company. He will usually want to know your findings thus far, but presenting any conclusions at this time should be avoided by all means. Any statements you might make at this juncture would have to be subject to revision later and could only cause embarrassment. Instead of committing yourself in that way some description of the methods you are using, plus interesting comments on individuals who may stand out, will usually open the way to the main purpose of the interview, which is the obtaining of all the information he is willing to give you about the person or persons with whom he is most directly concerned.

Information about those in the lower levels, which is volunteered, may be noted but should not be given so much weight since the only comments which should be considered valid are those made from first hand knowledge. These should be interpreted in the light of the executive's own prejudices and ideas, and evaluated accordingly. In this and the succeeding interviews fewer and fewer notes should be taken as one goes down the scale, but even more care should be given to the recording afterward.

Of course, preceding the interview a review of the information about the people to be discussed should be made so that the discussion can be conducted, as far as possible, without recourse to notes. If the chief executive is willing to, or can be led to discuss his own job or connection with the company, so much the better. This should not be forced or approached directly, however.

The next step is a systematic chain of interviews with those who have just been discussed and, in turn, with those they discuss. At this point your explanation as to the purpose of the study will have to be carefully planned. The approach I have usually used is to say frankly that I have been asked to obtain a picture of the organization from the standpoint of its more important officials, and this is not necessarily for the purpose of recommending changes but primarily so that I may be of help in discussing problems which may arise later.

Introductions may be made for you by the official just above those being interviewed, if he is willing to give that advantage. If not, you will have to introduce yourself and refer to the head of the company for confirmation. No strict rule can be laid down since any plan may have to be altered to conform to your own ability and skill in interviewing and the exigencies of the situation. After many interviews you will be asked to share your conclusions later with the executive or

supervisor with whom you are talking, but while an appreciation of his interest may be expressed, any commitment on this point must be avoided.

After the preliminaries are over, the point of attack in such interviews may be either the man's own job or the work and characteristics of those under him, but both points should be covered in detail. As has been previously indicated, no questions should be asked about persons above or, indeed, on the same level. Information of this sort may be volunteered by the person being interviewed and should be recorded but not sought. It must also be weighed most carefully in the light of the person's own perspicacity and prejudices. Above all, any show of interest in "tales told out of school" or gossip, should be avoided. Such information will be obtained anyway, and to create the impression that you are interested in anything but the most objective point of view possible would be most unfortunate. Again, let me emphasize the point that the questions should be confined to direct descriptions of the abilities and characters of those directly below in rank, to techniques used, and to the objectives being sought.

The same procedure should be followed with the persons in each rank until the last one that you propose to study is reached. The subordinates of these people may be discussed with them but the discussion should be primarily for the purpose of obtaining information about the ideas and methods used in handling them.

Following this, all the information so far obtained should be assembled on work sheets and the final review made. Frequently a further investigation on the outside will be indicated, or another check with the personnel officer. Then your own conclusions regarding the company and its executives should be made and recorded in note form. At this point, a large chart of your own making, on which weak spots, strong spots and tentative regroupings may be noted in color pencil, will be helpful. This must be compared with the chart originally furnished by the Company and discrepancies noted, if there are any. Your ideas regarding desirable changes may be noted on work sheets and from these deductions the ones which may seem possible under the existing circumstances can be drafted.

The Report

Finally comes the preparation of the report. This will, naturally, be in the form of a highly confidential document and every effort should be made to have it kept that way even after submission. The least leak

in advance is likely to be dangerous and quotations afterward, which are taken out of the context, may do untold harm. It should be urged at the time of submission that changes or suggestions made to individuals as a result of the report should be couched in the language of the executive making them and NOT accompanied by quotations.

The exact form of the report will be determined by the mind and methods of the person to whom it is to be submitted. If it goes to a group it must be shaped to fit the thinking of the dominant element of the group or of its majority. The fact must be kept in mind that you wish above all else to present the truth in the form in which it will be most helpful and that the truth is not necessarily what you say but the impression recorded in the mind of the recipient. (I shall be glad to debate that point with anyone at another time but beg that it be accepted as a fact for the moment, at least.)

In any event, the first part of the report should include a brief review of the company as a whole—its strong points and its weak ones from the standpoint of personnel policy.

Next, if the recipient thinks primarily in terms of organization a graphic presentation in the form of a properly edited copy of your own chart may be included. On this should be shown the individuals who seem most able to assume increased responsibilities, those who are deficient in ability, experience, training or background, and those who are too young or too old as compared to the norm for their respective levels. There are some people who are perfectly competent in the positions in which they are located but are not prepared for or capable of much advancement. There are usually others who should be replaced as opportunity permits, or even fired immediately. Naturally such recommendations must be reinforced with facts and not based on opinions or gossip.

In many cases, chief executives think better in terms of a consideration of individuals. Such persons have concrete rather than abstract modes of thought. If this is so, the chart may well be omitted, or placed later, in the summary, and the discussion brought immediately in a series of thumbnail sketches which start with those next below the executive receiving the report. These should consist of graphic word pictures of the background, the ideas, and the abilities of each man or woman studied. They should also include the recommendations to be made about each individual which may or may not have been shown in chart form. Too much emphasis should not be laid upon the details

of the particular job involved unless the report is being submitted to an outside agency such as a bank, since no executive likes to have it implied that he does not know the functional activities of his company, but a good deal of this information can be brought in through the discussion of traits. The individual descriptions should be as short as possible, preferably not longer than a paragraph or two unless some special problem is involved. The art of preparing such word pictures could, itself, be made the subject of an hour's discussion and will have to be learned if it has not already been acquired. They should, however, be properly connected in the make-up of the report and so headed as to present an ordered picture in the mind of the reader.

If the chart has already been incorporated or its use seems unwise, the last step is to prepare the conclusions and recommendations. These should be as concise as possible and without overemphasis. If their wisdom is not evident from the preceding material, any argument at this point will avail little and should in any case be avoided.

The report should then be transmitted under confidential cover and by messenger, if possible, directly to the final recipient or his confidential secretary. It may also be followed up by a telephone call to be sure of its delivery and its remaining sealed until read. To present it yourself to the executive is to court an immediate discussion of the conclusions, and any such report must be carefully read and digested before it can be discussed intelligently.

While you are waiting for the verdict, your work sheets should be put in order. Material to be returned to the personnel files, and such new material as you think should be added, should be set aside. The work sheets should be kept, as any accountant would probably do, but should not be allowed to get into circulation in any fashion.

If you are called eventually to discuss the report and that discussion indicates that it has been carefully read, that should be considered satisfactory. If the recommendations are approved, that can be accounted success.

If you are asked to put them into effect, that is the final accolade. Whether you do it or not, and how, is another story.

Public Relations Committees

(Continued from page 154)

E. Discussion of above and recommendations.

F. Summary of subjects raised, recommendations and next steps to be taken with regard to each.

As is apparent from the experience of the two companies, the development of a public relations committee system can start on any executive level and grow gradually and naturally, dependent upon the fertility of the field. If top executive forces are organized first and the system is developed step by step down the line, the organization will advance more rapidly to the stage of efficient operation and advanced accomplishment in public relations work. It will be more necessary to guard, however, against circumscribing the interest of down-the-line people by destroying the feeling that they have had a part in developing the projects.

If committees are started first on lower executive levels, their methods will be more hit-or-miss for some time. On the other hand, the system will spread into other sectors of the same same and higher and lower executive levels solely on the basis of being wanted, and with a likelihood of greater organization enthusiasm. Whichever method is used, it is apparent that both enthusiasm and efficiency are necessary. It is better to have the system start and grow by top executive endorsement plus "internal selling" than by management decree.

The executive designated by the president or top management to develop the system will need, above all, to keep a finger on the pulse of executive and organization thinking with regard to the new development and watch the timing so as to go neither too fast nor too slow to assure the best results and co-operation from all concerned.

Collective Bargaining and Personal Freedom¹

By ORDWAY TEAD

Editor of Economic and Business Books, Harper & Brothers, New York

THE statesman who said, "I like a dangerous freedom better than a peaceful servitude," spoke a language that falls sympathetically on American ears. And Goethe spoke to our own historic case when he said, "He alone deserves freedom, or even life, who fights for it every day."

Today we are conscious of a basic dilemma faced in all organizations where people are trying together to get something done—the reconciling of the claims of personal freedom and of organization performance. This problem is real in church and state and institutional agencies, no less than in business. And the fact that we have not solved it does not prevent, but rather challenges, Americans to affirm that workable solutions can be attained. A good society is truly inconceivable to Americans in terms which do not in literal fact give a genuine sense of self-choice and self-expression to individuals in their work, play, worship and utterance, in production and in consumption.

Freedom is never absolute, nor is it the right to behavior prompted by arbitrary whim. It implies commonly agreed rules of the game; understanding acquiescence in those rules; and the insight to find some fulfillment within the game as played. Freedom also implies the right to protest against the game and its rules; and to take the consequences of being in a minority, trying to change the views of the majority.

I shall here argue and prove further the point that freedom today is on the whole attained in and through group effort, through organized affiliations, through associated and articulate procedures of conference, representation, negotiation and ultimate agreement. I assume that in a profound sense it is true, as John Dewey says, that "the actual laws of human nature are laws of individuals in association." Now this is not the whole truth about human nature. There is the other pole to the problem to which Professor Whitehead calls attention when he speaks of the question of what man does with his sense of aloneness and solitude—the problem of his inner orientation to life. And his freedom here to come as he may and should into awareness

and relation with Being as a Whole is increasingly recognized as a vital phase of his total human aspiration. Indeed, I go so far as to say that I believe it has been historically true that it has been preponderantly out of the promptings of those who eagerly acknowledged faith in a God-ordered world that we have had the most zealous and sustained strivings for human freedom. This seems to me a scientific reading of history.

But from the plain man's point of view—the point of view of men in industry—the issues of freedom are overtly issues of associated, federated and representative action, and less conspicuously, but equally urgent, the issues of individual independence of attitude and action.

The problem from this basic moral angle is one of thinking through freedom in the shop as a human necessity for today. Only men who have known and tasted freedom will fight for it ardently. We should thank God that the fight for freedom, however confusedly it may be going on in this country, is a fight which goes on nevertheless because we have tasted and must pursue freedom. Only men who are acquainted with the meaning of human freedom will fight for its continuance, and we should be cheered that it is so, especially when we contrast our lot with that of European nations.

I shall therefore approach the problems of collective effort and of the administration of an organization's personnel from this increasingly urgent slant of *how we attain reasonable personal freedom under modern conditions*. There must be some sense of personal freedom as the rank and file in industry view it. That means there must be personal freedom in the shop—at work no less than outside. If we do not have it we shall go the way of Germany, Italy and Russia.

Moreover, this becomes increasingly a problem as urgent in quality if not in the same degree for the white-collared and executive workers, as for manual workers. Just as soon as you dissociate ownership from management, you have created problems of contract and status for the managerial worker, which vitally affects *his* basic freedom also. You show him—or he is by way of gradually learning—that the appeal for freedom and

¹ A lecture given before the Bureau of Personnel Administration. Printed by permission of its Director, Dr. Henry C. Metcalf.

the need for it represent at least one common cause he has with all his fellow-workers. There is a need for this appeal to freedom. There is a need to understand how it is to be given effect today. Here is one rallying ground of common concern which promises to give supervisors and men at least one identical desire that is new, but perennially old.

There are two big aspects to this problem: the elements of freedom as they should manifest themselves in a going concern, and the relation of management to employee freedom. May I suggest that, as you think of these considerations, you realize that they have throughout almost as much application to the salaried executive as to the wage worker? The difference between the two is one of degree only.

The Elements of Freedom in a Going Concern

What are the elements in this desirable freedom? First, self-respecting treatment by others of ourselves as *individuals*, in which our wish for worth, for self-importance and self-maximizing is reckoned with. We ask to be treated as ends and not merely as means toward the achievement of industry's more impersonal ends. People want to call their souls their own, as the phrase is. And this demand for self-respect is not anarchistic. It has in fact definite social value because we tend always to think of our self-importance as concerned with the esteem we have in the eyes of others. And that is gained largely by our contribution to their good.

Workers want, also, some voice in the affairs that govern their lives, and they want a voice that is neither timid nor browbeaten nor ineffectual. This means that they want shop rules that are explicit; that they want to be heard regarding shop conditions through channels which will fully and safely air their grievances; that they desire to know in definite terms what constitutes the basis for promotions, transfers and the changes in their salary status; that they want discharges to be based on all the facts and administered with impartiality.

There must, again, be explicit understanding as to the work attainment which is required, if workers are to be free in their work relations. The Psychological Corporation has recently been making studies for certain branches of a large utility company. These studies have not been initiated by the employer alone, but have been done on the insistence of the union with whom the employer deals. Their purpose is to set performance standards for each job so that both the union and the

employer have an agreed, objective criterion on which workers may be rated. When problems of advancement, discharge, lay-off, seniority, rehiring and all such related issues arise, there will be explicit criteria as to what standards should prevail. There must be such production standards if the worker is to feel that determination of his status and freedom is being made impartially and on the most objective basis possible.

Experience indicates that unions are more and more willing to go along with employers on the setting of these standards where procedures of selection, advancement, transfer, lay-off and discharge are based on a reasonably scientific, measurable basis, and administered under joint review.

Another prerequisite of freedom is a sense of personal security. And that sense of security is disastrously affected by lay-offs,—a problem which we have not solved, a problem which, indeed, in the last eighteen months has appeared in almost as acute proportions as in 1932-33. We have not yet arrived at the necessary protective policies regarding due notice with respect to lay-offs. Dismissal wages are a reality with only a dozen companies. The possibility of inaugurating yearly salary guarantees, as opposed to hourly, daily or weekly rates, is a promise of security and a stimulus for freedom. The *New York Times* of Feb. 2, reported that an annual wage was proposed to three Detroit firms making accessory parts for automobiles in the working out of a new agreement between the companies and the union. The same proposal is before a number of building trades unions in relation to government contracts. I prophesy that this type of provision will be worked out as more and more feasible.

Confidence in supervision is another essential part of this problem of freedom. Mr. S. B. Rowntree, whose organization operates in England under the reasonably stable industrial conditions of that nation, says the following:

The administrative officers in whose selection the workers are most directly concerned, are the overlookers. (i.e. foremen. O. T.) These overlookers are in constant contact with them, and the workers' happiness depends largely on the character of the persons selected to fill these posts. We never appoint an overlooker without consulting representatives of the workers from the department concerned. We feel it necessary to retain the rights to the final word, but so far as I can recollect we have never, in all the years during which we have followed this practice, been obliged to exercise it. Every appointment has been made by mutual agreement.

In this matter of confidence in supervision we are following in the footsteps of England—as in everything

else about twenty years behind. But the progress of England means that ultimately we will consider the opinion of the workers increasingly in the selection of their supervisors. When we do it will be in the interest of freedom. It will be in the interest of productivity. It will be good. It will seemingly come in about twenty years in this country!

Confidence in the strength of the negotiating agency represents another important element of group freedom. It raises, of course, the whole question of the attitude of employers toward these relatively new negotiating agencies—the labor unions. I shall always remember—because it said so much in so few words—the statement of an A.F. of L. leader when he and I were discussing this question of employer hostility to union organization. He started with the phrase, “if only they would take us for granted,” and went on to show what unions could accomplish, what responsibility they could evidence from there on.

That phrase—“if only they would take us for granted”—is the key to the situation. Once employees and unions get a clear and perfect confidence in the attitude and intention of the employer and of management that there is no question in the management’s mind about the *continuance* of the organized relationship which collective bargaining represents; once that relationship is established *with no reservations* on the part of management to exercise its right to pull out of the contractual arrangement, then many industrial relations issues which seem vital today will become secondary and minor. Notably, such questions as the closed shop, which has assumed in the minds of employers proportions out of any relation to its importance, will become insignificant once the employer decides to go ahead with collective bargaining *ad infinitum*.

I should say to those employers who stand for the open shop that they ought to recognize that it is for their interests as well as that of the community that unions should be powerful and responsible. A large part of all union activity today, and in the past, has been devoted to the struggle for existence; and that accounts also for a large part of union excesses. As nearly as possible union existence should be assured so that the efforts of the leaders might be devoted to solving the fundamental and difficult problems of discipline and organization, and the working out of other problems of the trades.

Who said this?—John L. Lewis? No! Supreme Court Justice Brandeis said this, and he said it back in 1912 before the hearings of the famous Industrial Relations Commission.

Recently, difficulties were reported in a Pittsburgh

steel plant. The company has a contract with a C.I.O. union. But the union decided that it was not getting enough dues from that company’s workers, and several of the union members began to picket the entrance to the plant to hold up workers whose payments were in arrears. A minor riot broke out as a result.

The man who told me about the outbreak made this comment: “In our company the same difficulty presented itself. But we put up two booths inside our doors and told the union to use them for the purpose of conferring with union members who were delinquent in their dues. We had no trouble, no picketing, no petty riots, no ill feeling.”

This is an interesting example of the effect of different employer attitudes. Employers must realize that if they want to deal with a responsible body, they must deal with a dues-paying organization. And if the organization is to continue to exist, members must continue to pay dues. It is no breach of freedom to assure that workers pay for the expenses incurred in obtaining the benefits of collective action. It is no more a breach of freedom than is the insistence of the government that citizens pay their taxes.

You and I pay our taxes into a common pool, even though we do not share in the benefits alike. The bachelor pays taxes which help support our educational system, and we recognize this as a system which is fair and equitable under constitutional government. What we need is an extension of the notions which exist in the field of constitutional government to the industrial arena. In the complexity of modern industry employees can only have a sense of freedom in their relations with employers if they have a strong negotiating agency dealing for them. And a strong agency depends upon strong support,—which means regular payment of dues. How can it be otherwise?

Again, and perhaps here I enter the area of wishful thinking, we must increasingly have a greater sense of security in the *wider relationships* which white-collar workers and manual laborers almost unconsciously have. Does the competitive process itself, as it operates today, work to promote individual freedom among management and the rank and file employees? You may say, Yes. But my own analysis of the facts is that some control of the unrestrained competitive process is necessary to produce stability at work. At the same time we have in the interest of freedom to prevent the exercise of too much power in monopoly controls. We do not know where the happy area lies between these two extremes.

Workers must, finally, be given more opportunity to come to understand the factors which bear on the control of the business cycle. For, basically, we cannot have freedom for the average person so long as we continue to have violent and devastating depressions.

The Relations of Management to Employee Freedom

So much for the elements of freedom. What are management's relations to them? There, of course, has to be management. It has to be strong, reasonably centralized, explicit and continuing. I emphasize this to make clear my conviction that good shop discipline and real freedom are not incompatible. But fundamentally management is a delegated and assigned power and function. Management plans, organizes, co-ordinates and supervises. And it does these four over personnel as one of the major functions. It always will, whatever form of ownership or control we might have; for the personnel problem persists as fundamentally important and crucial.

The personnel function is facilitation of the right attitudes and of the effective application of human power. The personnel officer is the custodian of personality because in organizations as elsewhere it has proved unsound to confuse means, which are production, with ends, which are persons. That, of course, is the great tragedy in our operation of industry today. We make ends means and means ends.

As custodian of personality, the personnel executive is the conservator of individual freedom. This sounds idealistic. But it has to be so because personality and human development require freedom and a sharing of responsibility. There is no personality growth in blindly obeying action. It is the further function of personnel, as the custodian of personality in action, to implement individual and group relations in association to assure agreement through conference.

It is also the function of personnel to work to build self-government as the only possible guarantee of freedom—to management and rank and file alike. And self-government in industry, I repeat, is not going to be anarchy—something arbitrary—but joint control *under law* to attain common ends. As we have tried to realize it in political life, the "law" has two aspects—one "scientific" as it applies to things, measurable activities, material affairs, and one "social" as it applies to persons and their relations. The thing that makes freedom possible today, as never before, is our ability and capacity *to utilize science in making people free*—science materially and socially.

Scientific development throughout the nineteenth century was without moral direction and responsibility. Freedom today is limited only by our wisdom to utilize science in the interest of freedom. Time studies, production standards, health and training programs have vast possibilities in promoting industrial freedom—where they are scientifically conceived and jointly agreed to. Self-government in industry has also to be seen by management as necessarily operating at a wider area than that of the individual company.

Building an Effective Company Personnel Policy

How is management to work out these larger personnel functions? In the first place there must be a good company personnel policy agreed to at the top. That policy must be inclusive of all the necessary issues and factors. And it must be *written* out, as the American Rolling Mills Company did many years ago. I cite this company merely as evidence of a written policy—not because I necessarily agree with the policy stated. But, as an effort to make clear to employees just where the management stands and how far it will go in its dealings with workers, this document, first prepared back in 1919, will do admirably. I have been making a collection of these written company policies, and I know of forty or fifty companies which have such personnel policies in writing. Here is the preamble of one such document:

The Employee Relationship Policy as adopted by the Board and published herewith is the result of long study and discussion in which both employees and management participated. In a real sense, the Policy is a product of cooperative and collective effort and suggestion. The series of conferences conducted prior to formulation of the final draft enlisted the suggestions and criticisms from a large number of employees, individually and through their duly authorized representative. This is essentially a policy of the Board of Directors. The Board, however, takes pleasure in the fact that the Policy was drawn in its final form after collective conference and understanding.

What company is pioneering so admirably in this respect? Not a private industrial concern but the Tennessee Valley Authority—a public corporation. In the next ten years I venture that dozens of private companies will preface printed statements of their personnel policy with a paragraph like the above.

The personnel policy should, in short, be mutually arrived at by some negotiating agency in conference; it must be written down, adhered to by the management in practice; and it must assign to one top manager responsibility for its performance.

Finally the management must publicize its personnel policy to employees, the local community, customers and the public. I say "must" because one outstanding fact that company executives must realize is that today, as never before, personnel work is carried on in a goldfish bowl and not behind a barbed wire fence. They must put their house in order to bear the scrutiny that such an open position involves.

There must be *more truth* in the public relations aspects of personnel work. There is no place for double crossing ambiguities. To me for example, all efforts to show employees' pay as a percentage share in the sales dollar are attempts to state less than the whole truth. Breakdown of the sales dollar, showing the employee how he stands in relation to the price of a kilowatt hour of electricity, a quart of milk, or any other sales unit, has little significance to employees or anybody else. The employee wants to know what net income is being earned and how much of earnings is being allocated to depreciation and other reserves; what is a reasonable return on a prudent investment in the going business, and what is the actual return? People are not willing to be fooled any longer about these matters. We must get away from devious accounting methods in any efforts to make people "understand business."

Publicity on salaries and executive bonuses has also, in my judgment, been a wholesome influence from this same public relations standpoint. There is only one way you can swim in a fishbowl, and that is with a clear conscience! If we are to strive to get a better public attitude toward employers, I cannot help being amazed when a presumably representative organization like the National Association of Manufacturers says in its "Industry's Platform for 1938" that it "advocates such statutory changes as may be necessary to effectuate these principles: (1) the right of individual employees to seek, secure and retain employment without regard to membership or non-membership in any organization and to bargain individually."

To me that seems a clear declaration urging the repeal of the National Labor Relations Act. Of course these manufacturers are perfectly free to ask for this or any other law's repeal. But to come out with such a strong stand for the virtual repeal of an established law already favorably reviewed by the Supreme Court seems to evidence an ill-advised public relations attitude under present circumstances.

If they are thinking in terms of sound public relations, then in a large country where there are a few thousand employers and millions of other people who

are convinced that freedom today is obtainable only through collective action, it is surely poor strategy to ask for the repeal of the law which seeks to assure that freedom.

Management must also adopt a personnel policy which assures agreement to a constitution of joint relations—a collective agreement, with provisions for legislative, executive and judicial functions. And since there are certain important and genuine interests which are not common or identical, the personnel policy will provide through this collective agreement, as a last recourse, joint agreement upon outside arbitration if needed.

The Call for Leaders of Men

My final point has to do with the relations of this whole problem to the vitality of personal business *leadership*. The fulfillment of the management procedures here outlined must be through managers who are *leaders of men*. Organizations from the standpoint of individual freedom do not operate best at the level of domination. Domination, as such, has no interest in freedom or personality. And if you are going to be concerned about the quality of the people being directed, you have to be concerned with the quality of the persons doing the directing. They have to be persons who have a grasp of the science of human nature and who have a warmth of touch and of heart, which means that they are leading, as well as and more than giving orders.

There are many reasons for this. People like to be led. They have to be led if they are to get anything done. Why? Because freedom is not assured by the mere force of majorities, whether in the shop or in the general electorate. Freedom today, more than ever before, requires the use of scientific knowledge of human nature and of natural forces and materials; for example, vaccination, vitamin elements, dietary facts, etc. Twenty years ago people were in a literal sense freer in their diet. But today we are *actually* freer in our diet than ever before, for we eat those things which we know are conducive to long life. We know the truth, and it helps to make us free.

Similarly in the shop one role of the industrial leader is to make the greatest application of scientific knowledge. Because freedom does not always assure that people choose the good, we need standards of "goodness" all along the line and leaders who will make the good appeal to us as desirable. That is a necessary and important role of the leader in an industrial society; it

is a role people who are to assume it have to be equipped for.

It was Walt Whitman who said, "Majorities come before the same ultimate tribunal," by which I take it he meant that there are truths which are not discovered by voting and which never change. But they do have to be discovered, popularized, publicized and applied.

Put in another way, the guidance of industrial destinies—at every level—is increasingly a matter of consent; but it is also a matter at many points of expert knowledge. Consent is no good if it is agreement to scientifically invalid methods or to the conclusions of uninformed persons. And the role of the leader here is to place science at the service of his followers with disinterested goodwill, patience and glamour.

But can this leadership, which requires a background of scientific knowledge, be effective if it is going to be split as between leadership in the shop and leadership by outside union executives? Yes, to a certain extent, because of the natural yearning of people to be led. And also because with the close work ties which develop in the shop, the shop leaders will be able to put scientific knowledge to the service of freedom. And we will get orderly, productive and happy relations in the shop. This implies that the training for the several levels of leadership is a necessary and continuing personnel task. It may also be added that the quality of union leadership will almost inevitably improve in similar ways and by similar training as time goes on. And as this happens, there will no doubt be genuine dualities of allegiance, of loyalty, and of followership. Such plural leadership will not be a castastrophe; but rather a challenge—both ways!

In conclusion, I have been emphasizing the basic importance today, especially in the light of the world situation, of the freedom approach to questions of shop life. And I am saying that the achieving of freedom in and

through group articulation and inter-group relations is a vital necessity. "Pressure groups" are not what we are developing, but vocal groups which are inevitable and desirable.

Careful consideration of all shop issues, I have tried to show, is crucial to the outcome. And I have suggested the vital relation of these to an influential voice in self-government, which can only take place through the development of collective bargaining.

I have suggested that management be organized for that step through defined policies including the welcoming of the permanent application of constitutional government to industry; that management policy should transcend the letter of the law—and I mean among others the Wagner law—to the spirit of the law through strong and sympathetic personal leadership.

I say with all seriousness that if people are not *led to freedom* they may be moved desperately to grab at something which looks like freedom, but is not.

Industrial life not only can, but must become the arena in which disciplined, productive freedom is found in action. We have to find the town-hall government of industrial freedom *within our industrial life*. If we do not, we are going into something like fascism.

Finally, government will become stronger; will for a time at least have to be stronger to correct the balance of present relations among power groups. This means that everything industry through the leadership both from among managers and from among the men will achieve in the shop in the way of organizing personal freedom will benefit the shop and its people. It will also help workers to withstand pressures for too much outside government by showing them how to get more of what they want within the framework of industry itself by constitutional means evolved in the process and with their demand for freedom held always to the fore.

ANNUAL CONFERENCE—1938

Reserve December 8, 9 and 10 for the Annual Conference at the Hotel New Yorker in New York City. There will be discussion of the important new labor legislation, joint management-union production studies,

organizing for policy making, new personnel techniques, management applied to distribution, motion and time study, purchasing, office management, standardization, education and home management.

Basic Factors in Organization Structure

By HENRY H. FARQUHAR
Organization Specialist, Alexandria, Va.

CONSTANTLY before us are two queries as regards organization:

First, what is the best structure for any particular problem under any particular operating and personnel conditions, and what guides are available for helping to be sure that we rest this structure on a solid foundation?

Second, what is necessary in order that a sound organization set-up may be properly put into actual operation and continuously kept alive in helping to meet the particular problems which we face? This second question deals with the dynamics of organization and will be discussed elsewhere after considering some of the cornerstones upon which any structure, no matter which of the various forms it takes, must rest.

In considering the first question, one might compare and contrast at much length the various forms of organization, their respective merits and shortcomings under one or another set of problems and conditions and the relative ease or difficulty of incorporating given prerequisites in the fabric of the organization itself. The essential thing, however, is that each of these forms was evolved to meet a given set of conditions, that each of them may help to meet the need in its respective fields—but that no arrangement of relationships can be wholly effective nor vitalize expressed objectives no matter how sound, except under conditions to which it is basically adapted.

A case comes to mind in which an illogical delegation of duties proved a costly handicap. The form of organization in a company with which the writer was connected violated inherent human characteristics in several respects; consequently, in these respects it was going contrary to ordinary human nature to expect best results in these particular cases. Final inspection of work in process, for example, was under control of the production superintendent; since he was also "hounded" for high production, many products were found leaving the shop which, under the rearrangement finally put through (by which he did not have the final say as to quality) were turned back for further processing or correction. Such inconsistencies must be ironed out as one of the first steps in the development of a changed plan of

organization; to fail to work them out prior to the initiation of organization changes is to invite opposition, or apathy, from the start.

How then, are we to be sure that we make a wise choice of form of organization? The answer is that we cannot make sure in advance, for organization is far from an exact science; we can tell whether we have done so only through trial and reappraisal. As a result of the intensive attention over the past decade to the problems of organization as such, however, we do have quite a number of cornerstones on which the structure must rest, as well as many specific measures to be incorporated in it if it is to remain effective.

The cornerstones of organization—the philosophy, the principles, the rules of organization—are much the same wherever the need has arisen of furthering effective teamwork among human beings. The special objectives, the limitations, the methods of approach, and the final answer or the form of organization itself will vary with each particular situation.

Some of the major prerequisites of organization may here be mentioned—those of specific authority, individual responsibility, including that of the chief executive, clear cut extensions of the scalar chain and clear cut relations between line and other units, understanding performance, adequate supervision, inspection, measurement, rewards, and co-ordination. These it is necessary to bring about in the adequate management of any large undertaking. The possibility of doing so, however, depends in a very great degree upon whether in the initial setting up of relationships we have kept in mind and properly analyzed the basic factors upon which rational relationships must fundamentally rest.

Types of Mind

The first cornerstone, and perhaps the keystone, is that in setting up, combining, and relating functions throughout the subdivisions of the organization, we must conform to the 'way-down-deep innate *types of mind*—the mental and emotional aptitudes and limitations—found among the usual human beings whose teamwork we are trying to further. There is, for in-

stance, a distinct research type of mind; to arrange responsibilities in such a way as to require or expect a typical "researcher" to function effectively on administration is inconsistent, since this sort of mind has no liking nor aptitude for the hurley-burley give and take, the compromises, and the formal decisions which form such a large part of the line official's job. The individual who is placed in a position where research and operating requirements must merge in an intensive way, will become unhappy and ineffective unless—as occasionally but very infrequently happens—he combines both of these types of mind in his make-up. This is often an acute problem in the selection of executives; it is ever-present in government, where research activities engage such a large percentage of the personnel.

Any function which requires many contacts and aggressive decision and action, should not be coupled if it can in any way be avoided with a function which demands methodical analysis and constructive solutions, simply because the type of mind which combines these characteristics is exceedingly rare. The straight line form of organization does not readily lend itself to such a separation of function.

Implied in this necessity of conforming to basic traits of mind, is the corollary that in the process of visualizing a reasonably permanent form of organization, individuals should for the time being be forgotten. Individual persons constantly come and go, while functions remain the same; if the form of organization be developed to fit the characteristics and peculiarities of specific individuals who happen to be on the job at the time, rather than to meet the enduring types of mind found among all individuals at all times, there is provided no permanence in relationship, a constant re-definition of authority and responsibility will be necessary, and it will be difficult or impossible over comparable periods of time to measure the performance of different persons in discharging these responsibilities.

This requirement is not easily lived up to—individuals and personal considerations will intrude themselves at too early a stage. The only sound way to construct a reasonably permanent structure of organization, however, is first to build on human characteristics in the large, and then to consider the actual men and women we have to rely upon at the time, possibly temporarily modifying portions of the structure to fit the individual occupant but always with the basic relationships clearly in mind.

Nature of Functions

In any group effort directed toward the accomplishment of specific objectives, a specialization and subdivision of function is necessary. Several such functions from the organization angle stand out:

a. The actual *operations* themselves, the tangible accomplishment of work for which the enterprise was created—the actual mining of ore, the processes in the manufacture of a product, the sowing, protecting and harvesting of farm and forest crops, the erection of a building, and similar direct transforming operations.

b. Technical *service (or auxiliary)*, and *general advisory functions* necessary to keep direct operations going, to keep them more efficient, and to relieve operating officials from innumerable details of matters which are necessary for, but not directly involved in the actual direct operations of transformation. Such purely auxiliary functions are purchasing, traffic, warehousing, production planning, maintenance, shipping, and similar activities which must continuously serve operation if it is to continue to achieve results beyond the next few days.

In the same category but not so intimately related to day-to-day operating, come sales, research, organization, engineering, personnel management, finance, general accounting, public relations—functions which in varying degree in different undertakings are vital to the long life of the enterprise.

c. Finally, there is the function of *general administration*, to lead the whole organization and maintain a balance between the various parts of it.

There are literally hundreds of different ways in which the functions enumerated may be linked together. Some of these ways will further effective teamwork, and the simpler and more direct they are the more effective the teamwork can become; many of the possible arrangements of relationships will cross up wires so that instead of being able to concentrate on his job, a man will have to spend much of his time and much of his mental and emotional energy in trying to adjust himself to illogical and trying relationships and to overcoming if he can barriers to effective direct action.

For instance, engineering, to take one example, is intimately related at almost every turn to operating, and yet it is not engaged directly in operating (except perhaps in industries where technical engineering is the dominant phase of the business). When a difference of opinion arises between the operating official and the engineer, who is to decide? Is the engineer to be given authority over the operating officials respecting all en-

gineering? Or is he to be given authority respecting only certain engineering matters? In either case, what are "engineering matters," and how defined? Too much hair-splitting in such connections is sure to result disastrously, just as lack of a reasonable degree of clarity is sure to result in friction.

As another alternative, is the engineer to be put off to one side of the line in a purely advisory capacity to the operating official, with the injunction that he is to sell his ideas to the operating official who gives instructions and assumes responsibility for putting them into effect; or, if he cannot sell his ideas and the case is serious enough, to take the matter up with his superior?

And finally, who is to be his superior—where in the scalar chain is he to be placed?

It does in most cases make a difference where specific activities are placed, whether a given activity reports directly to official A, or to official B. Take, for example, the matter of purchasing. In some industries, the replenishment of raw materials is governed almost solely by requirements for current production, and where materials are relatively stable in price and standard in quality, little or no leeway is needed or allowed the purchasing agent as to how much or when to buy—this is governed by requisitions originating in the factory. The purchasing agent in such cases occupies a relatively minor position. There is usually no good reason why he should not report direct to the factory manager, or perhaps even lower down in big organizations.

There is another quite different kind of purchasing where materials are constantly subject to speculative, seasonal and other influences. In such cases it may be good business to buy in advance a supply which has no fixed relation whatever to near-term production requirements. The decision of whether or not to buy at a given time, and how much to buy, is a really major one; it involves the exercise of the highest judgment as to future price, future sales, future financial position, necessity of providing additional warehouse facilities—decisions which have made or broken many a business.

In this case, it would be unthinkable to place the purchasing manager under the factory superintendent.

And where one business comprises both kinds of purchasing—what is the answer in that case? We at once begin to shade off into a realm where there is no general answer possible, and this example is typical of many others which will undoubtedly come to mind, all requiring utmost familiarity with the particular case and with the tenets of good organization and sound psychol-

ogy if the best answer in each case is to be arrived at.

Much the same situation is true in the case of personnel management, finance, organization, research and many of the other facilitating or advisory activities necessary in any single endeavor. The answer for engineering or for purchasing, moreover, will undoubtedly not indicate the answers for the others; nor will the answers to all of them for one undertaking necessarily give a clue to the answer for a different line of work.

Which of such functions, for instance, are of sufficient importance in a particular field of endeavor, to justify having them report direct to the top? Let no one maintain that it makes little difference *where* a person reports, so long as he is a *capable* person. Many a capable person has been held back for years by an unappreciative boss, and many a constructive measure has lain dormant for years because its sponsor did not have the prestige of position to help him in his fight against tradition.

Which functions, furthermore, are essentially those of the particular chief executive himself, and therefore should not be placed on a level below and coordinate with other units, but made a part of his own office? If any considerable number of them, furthermore, constitute a part of his own intrinsic functions, he will need assistance in carrying them on; should his assistants for these purposes be given any authority; and if so, what, where, when and for what duration?

Absolutely indispensable to high grade performance is the logical answering of all such questions as a preliminary to setting up a new structure of organization. On the answer to them depends in great degree the possibility of really effective execution; as has been evidenced time and time again, neglect or failure to answer them in an orderly and direct manner—whether the result be predominantly line, functional, or staff organization—has been a prime cause of failure to get satisfying results in spite of inherently capable personnel. The consideration of the whole network of relationships is the beginning point for any attack on organization problems, for when such arrangements become established they *are* the structural working relationships and avenues through which personnel must function and which therefore further or retard effective teamwork.

Size and Volume

Allied to the preceding considerations of kinds of functions to be performed is the question as to what weight should be given in formulating an organization,

to size of unit or volume of work. It is evident that one unit may employ hundreds of persons, and yet as a relatively minor subdivision of some larger activity be placed far down in the scale of organization. On the other hand one man alone may exercise a function so important that he must report directly to the chief executive. Or for various reasons it may be desirable to recognize and set up as a distinct function, a line of activity which at least temporarily will require even less than one man's full time. In this case some one is assigned to conduct the work on a part-time basis, with the definite understanding that he is covering two separate and distinct functions. For one of these functions, furthermore, he may have to report to the chief executive; for the other he may report lower down in the scale. This sort of splitting up of individuals is frequently done in industry, particularly in the case of rapidly growing institutions, and in launching a new activity of an otherwise stable business.

Clearly there is no relation between size and importance of function.

Any organization structure, then, must rest fundamentally on a careful analysis of basic types of mind, of the kinds and importance of functions to be performed, and of the weight which has to be accorded any unit because of its mere size or volume of work. The building of a logical structure is inconceivable except as its construction has been preceded by a logical answer to each of these questions.

If formal organization relationships are to play a vital part in management, moreover, they must be shaped in such a way also as to lend themselves to two measures which are essential in making the structure effective in practice: to clear-cut definition of function and delegation of authority, and to the measurement of performance. Only brief comment is necessary here in connection with laying the groundwork for team-play since both the following topics are discussed more fully elsewhere; they are listed here simply as two factors which must influence one in his choice of the form of the organization structure itself.

Function and Authority

A clear definition and delegation of authority will be possible in practice only as it is preceded by clear-cut thinking at the time the skeleton of relationships is

originally determined upon; such thinking, moreover, must embrace the whole body of relationships from top to bottom—it is frequently near the bottom that relations become most mixed up. Crossed wires in organization lead to sparks and blown fuses potentially more destructive than those which occur in the power line.

In the effort to define authority and responsibility, one great lesson of the past must always be kept in mind: no amount of instruction, either written or otherwise, will serve to clear up organization relationships which themselves are not basically clear and direct.

Performance

It was stated previously that there is no way to tell conclusively in advance whether our organization structure is being properly set up. And the only way to tell after it is set up and in operation is through objective measurement; provision for such measurement must therefore be constantly kept in mind in formulating the organization—provision through logical subdivision, one-man responsibility at any one point, accurate definition of function, and otherwise. All positions from the chief executive down, should so far as possible be set up so as to make such measurement practicable. This requires standards—standards of personnel, of facilities, of performance within the limits of budgeted expense. As regards expense control, for instance, the principle of individual accountability requires that the head of each unit automatically have currently "charged" to him only those expenses which he himself controls. The classification of expense must therefore tie directly into the divisions and the subdivisions of the organization structure; conversely the organization structure must be designed so as to insure the possibility of expense control by the head of each unit.

These provisions for measurement must have a conscious place in the formulation of the organization structure if dynamic administration is to be made possible. In a proper layout and assembly of the parts of an organization, almost automatically there are provided the natural channels in which the meters of performance will later be set up. Such meters are among the prime requisites in making an organization effective in practice.

This article is excerpted from a chapter of a book on organization now in preparation by the author.

Applied Scientific Management

XV. Organization—The Sales Department

By KING HATHAWAY

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THE early efforts of most of those who were associated with Taylor were devoted mainly to the application of the principles and technique of Scientific Management to the departments and activities concerned directly or indirectly with production and accounting. This was quite all right during periods of expanding business when the increased production from existing plant brought about through Scientific Management enabled our clients to avoid considerable capital outlay for plant expansion. However, we soon realized that during periods of static or decreasing sales volume, merely increasing production per man or machine hour was far from satisfactory. Under such circumstances Scientific Management in the manufacturing departments could only bring about one or more of the following results: First, swollen inventories with the danger of obsolescence and exhausting liquid capital; Second, while making higher wages possible, necessitating reduction in the number of people employed if swollen inventories were to be avoided; Third, effecting a saving only in the direct labor cost of the goods produced; Fourth, making available increased productive capacity which could not be utilized in the absence of increased sales. Scientific Management may and does effect savings through the elimination of waste, through financial control and budgeting, through research and development as well as through its application to various other activities not directly connected with production; but after all, in a majority of cases the greatest savings result from:

a. High wages coupled with low labor cost per unit of product.

b. More production from existing plant and equipment, as well as from man power, with a consequent reduction in the amount of all indirect cost to be charged to each unit of product.

In almost all businesses the latter of these two sources of cost reduction is far more important than the first mentioned, but it may not be taken advantage of without increasing sales sufficiently to utilize the greater productive capacity which a well worked out applica-

tion of Scientific Management inevitably brings about. With these facts before us we must take such steps as we can to insure sales keeping abreast of increasing production. In some instances increased volume of sales is easily attained simply through increased effort as a result of bringing the need to the attention of the management. The sales department in such cases should be well organized, well manned, and well managed. In the case of the maintenance and construction department of a large corporation, employing some five hundred men in such activities, production was more than doubled, with resultant savings amounting to more than half a million dollars a year. In this instance no external sales effort was necessary as the increased capacity created was used in building machinery which otherwise would have had to be obtained outside.

In my own practice I have found instances, even in large companies, where selling activities were conducted in a most ineffective, unorganized and unsystematic manner and in which the growth of the business was lagging behind competitors. These companies offered an excellent opportunity for adaptation and application to sales activities of the same principles and practices of Scientific Management as are best known in connection with production.

In sales as in other functions we were fortunate in having the benefit of Taylor's own experience. During his active practice he had worked out and put into effect a sales system for a company manufacturing road machinery. Using this as a basis and with the benefit of Taylor's guidance, a plan embodying many of the elements of the system of planning and control of production was evolved at the Tabor Manufacturing Company about 1910. This system resulted in a considerable economy in salesmen's time and traveling expense, better coverage of territories and increased sales. In working out this system the steps were about as follows:

1. A list was compiled of all actual and potential customers, utilizing for this all available sources of infor-

mation. This was set up on customers' record cards which provided for:

- a. Name and location, etc.
- b. Names and positions of executives.
- c. Character of business, its products and quantities produced.
- d. Equipment already installed—kind, make, size, age, etc.
- e. Additional equipment which might be advantageously installed.

Naturally a considerable part of this information had to be built up later from the reports of salesmen's calls, and much dead wood had to be eliminated from the original list based on published trade lists, the company's correspondence files, sales records, etc. In preparing these "customers' records" we were surprised to learn how incomplete was the company's knowledge of the market for its products, as well as how inefficiently and incompletely salesmen largely left to their own devices and dependent on their own knowledge, had covered their territories.

2. Territories, which had previously been arbitrarily set up according to State lines, were rearranged on a more logical basis taking into consideration the potential market as indicated by the customers' record cards and transportation facilities. Within each territory regular routes were laid out—each so far as possible being a loop starting from and returning to the city designated as the salesman's headquarters. An effort was made to have these "routes" constitute a week's work so that the salesman might spend his week-ends at home. A classification was worked out and each customer was designated by a symbol which also included his location, route, and territory.

3. "Call sheets" were prepared for each customer, to be sent in due course to the salesmen. These contained all available information which might be helpful to him and indicated information lacking which he should endeavor to get when he called. They were first sorted according to routes and then scheduled for dates to be called upon.

4. A "bulletin board" for scheduling the salesmen's work—similar to that used in the works planning department—was set up. This provided a set of hooks for each salesman on which call sheets were to be placed as follows:

- a. *First hooks*: Stubs from call sheets in the hands of salesman, usually including those for any unfinished portion of route on which he was working, plus those for the next route to be worked.

- b. *Second hooks*: Call sheets for route or routes to be next sent to salesman.

- c. *Third hooks*: Call sheets for customers to be called upon within next thirty days. These were accumulated as they came out of the "tickler" preparatory to being arranged by routes and placed on the "second hooks."

5. Each day the salesman returned the call sheets—which also served him as a report form for customers whom he had visited. Upon their receipt the following procedure took place:

- a. Any action called for by the salesman's report—such as, sending advertising literature, estimates of possible production of customer's products, making quotations, or investigating complaints—was taken.

- b. Entries were made on the customer's record card of the date of the call, of any essential information reported by the salesman and a date for the next call.

- c. A new call sheet was typed and placed in the "tickler" to come out sufficiently in advance of the date set for the next call. This carried forward all essential information from previous call sheets so that the salesman would not have to depend upon his memory or notes.

- d. The old call sheet was filed along with any others in back of the customer's record card. Any new developments such as might grow out of correspondence, visits from a customer or otherwise were, of course, noted on the next call sheet and as new potential customers were heard of they were added to the files.

6. A "register" was established in which every quotation was recorded and systematically followed up by mail and salesmen's calls until the order was received, placed elsewhere or the customer decided not to purchase. When orders went to competitors, the facts were entered on the customer's record card.

This partial application of the principles and technique of Scientific Management was quite simple; the sales organization consisted of a sales manager, his stenographer and seven or eight salesmen. For a relatively small business such as the one in question, the sales manager must perform all of the several functions which in a larger company would be allocated to a number of sub-departments and individuals. I may say, however, that the system for planning and control of salesmen's activities, with little change, may be fitted into any larger plan of organization.

The essentials of a good sales department may be summed up as:

- a. A logical plan of organization along functional

lines, properly correlated with other departments of the business.

b. A system for planning, control, and co-ordination of the various activities of the department both in the offices and in the field.

Just as in the case of the manufacturing department, such a plan of organization and system of operation should be based upon, embody and carry on in practice the four basic principles of Scientific Management, to wit:

I. *Development of a science*: Gathering, analysing, codifying and making available all information relating to markets and uses of the company's products.

II. *Scientific selection and training of salesmen*: In regard to selection, the late James Mapes Dodge said that after years of experience he had given up trying to predict whether or not a candidate might succeed as a salesman. In his organization he had men drawn from every department of the business who differed widely in personal characteristics and in training and education; yet all were successful as salesmen. Every manager has seen examples of this. While Mr. Dodge had not completely resigned himself to the trial and error method, he was willing (within reasonable limits) to let almost any man in his employ have a chance at selling, provided the "would-be salesman" was imbued with an earnest desire to get into that line of work. If he did not make good, his former job was open to him. Although our method of selection may not be scientific in the most complete sense of the word, we can at least, having in mind the nature of the company's products, their uses and the class of customers upon whom the salesman is to call, set up and attach values to the qualifications which a successful salesman should possess and rate our candidates accordingly. An analysis of the qualities of the more successful salesmen may be helpful also. Training is, of course, fully as important to a salesman as in the case of a worker in the shop. An analysis of what a salesman is expected to do should serve as a basis for a course of training.

Salesmen should be acquainted with:

- a. The Company's products and their uses.
- b. Competitor's products and their relative merits as compared with those of his own company.
- c. The processes involved in the manufacture of his products.
- d. Whether or not products are regularly carried in stock.
- e. Transportation facilities and costs as well as time required for delivery within his territory.

f. Economical, or profitable, units of sale based upon cost of handling per order and per invoice line.

g. The relative profitability of various products.

All of this as well as a general line of approach and presentation may be covered in a course of instruction before a new man starts out on the road. Following this he may be placed under a qualified and experienced salesman for instruction in the field. It will probably be found that some of the older salesmen in an organization may be benefited by a carefully worked out plan of training. Such instruction should, of course, be based upon a definite plan and method just as is the instruction of a worker in a manufacturing department.

III. *Hearty co-operation between the management and the scientifically selected and trained salesman*: Here, as in the shop a mere spirit of co-operation is not enough. A technique and mechanism or system is needed. In a considerable degree this is provided by a system of planning and control such as has been outlined, which will provide the salesman with essential information, conserve his time and energy, insure prompt and complete action as required by his reports and co-ordinate his efforts with other activities of the sales department and other departments of the business; thus, as Taylor expressed it, bringing together the science which has been developed and the scientifically selected and trained worker. Here again emphasis is thrown upon *co-operation of the management* with the worker. On the salesman's side co-operation will be found to consist mainly of his industry, intelligent use of the information supplied him, thoroughness of his reports, and, in following the plans and instructions which he receives.

IV. *Proper division of responsibility between management and men in the field*: It will be found upon reflection that in sales, as in the case of shop operation, there are many responsibilities which management should and can assume better than can the salesman. The functional organization outlined further on indicates the nature of such responsibilities.

In selling as in any other activity in which we undertake to apply in an effective manner the principles of Scientific Management, we must have a suitable plan of organization, as well as properly devised system through which these principles may be consistently and continuously expressed in action. The following outline of a sales organization is fairly typical of one suited to a moderately large and diversified business. It will be observed that it may be readily expanded or contracted to meet the needs of a particular case.

C SALES DEPARTMENT

Executive: General Sales Manager

The Sales Department would embrace the following divisions:

General CA Service Divisions	{	CAA General Administration
		CAM Merchandising
		CAP Sales Promotion
		CAR Sales Research and Development
		CAV Advertising
Auxiliary CL Sales Divisions	{	CLC Contract, Quotation, Order, Editing, and Pricing
		CLP Salesmen Activities—Planning and Control
Direct CS Selling Divisions	{	CSH Material Handling Equipment
		CSM Machine Tool
		CST Small Tool
		CSV Valve and Instrument
Field Sales CT Territories Divisions	{	CTA Central Atlantic
		CTH Home Territory
		CTM Middle West
		CTN New England
		CTP Pacific Coast
		CTS South Atlantic
		CTW South West

The functions of these divisions are outlined as follows:

CAA General Administrative Division

In Charge of General Assistant to Sales Manager

The general administrative division will handle all matters which do not fall within the scope of the other divisions of the department.

These would include:

- Handling complaints and adjustment.
- Study of legal and governmental regulations affecting sales. Maintaining files and supplying information in regard thereto.
- Preparation of governmental reports.
- Handling transactions in regard to trade marks and patents.
- Handling matters affecting relations with competitors and dealings with trade associations.
- Digesting reports on economic and trade situations with a view to their effect on sales.

g. Study and routine review of tariff laws and of foreign competition affecting our sales and prices.

h. Fixing prices for new products, making current price changes, and compiling price lists.

i. Reviewing sales analyses, profit and loss statements, and other reports, and preparing digests of same with recommended action for the attention of the Sales Manager and heads of divisions concerned.

j. Maintenance of customers' history cards.

k. Receiving and reviewing on behalf of Sales Manager periodic reports of activities of the various divisions of the Sales Department.

l. Compiling and keeping up policy and practice handbooks containing information for the guidance of the various divisions of the Sales Department and men in the field. This would cover for each territory or area and for each class of customers therein, decisions with respect to selling through jobbers or direct, and special understandings or arrangements with customers, etc.

m. Routing of incoming mail to the division or individual concerned.

n. Handling any matters specially assigned by the Sales Manager.

CAM Merchandising Division

The function of the Merchandising Division will be:

- To initiate improvement in products with particular reference to the viewpoint of the user.
- To develop special plans for marketing products.
- To study sales methods, to compile data with respect to products and their uses, and to furnish information and instruction of a character calculated to assist salesmen in their work.
- To work up plans for the marketing of new products.

e. Arranging for exhibits calculated to promote sales at conventions or other events.

f. Arranging for attendances at conventions and for sales promotional talks before various organizations.

In the performance of its function, this division would co-operate with all other divisions of the Sales Department.

CAP Sales Promotion Division

The duties of this division would include:

- Systematic study of actual sales based upon the periodic reports and tabulations furnished regularly by the accounting and statistical departments; upon special

tabulations or reports from the same source, or other reports and basic data from whatever source.

These would be:

- a. By territories and subdivisions thereof.
 - b. By classes of customers and individual customers.
 - c. By classes and items of product.
2. These studies would be made with the object of:
- a. Checking our sales against quotas and potentials.
 - b. Indicating specific products, the sales of which may be deficient either as a whole or to certain classes of customers, or in certain areas.
 - c. Indicating deficiencies in our sales to present or prospective customers.
 - d. Initiating or taking such action as may be desirable with a view to increasing sales, improving the situation with respect to small item purchases,—i.e., the purchase of items in uneconomical quantities, and making accounts more profitable.
3. Maintaining such records of sales to customers as are essential to current check and follow-up.
4. Systematically following up quotations.
5. As a result of the studies outlined above and with a view to sales promotion:
- a. Direct letter inquiries and solicitations with respect to deficiencies in our sales to specific customers.
 - b. Instructions and advice to salesmen through the planning and control division.
 - c. Recommendations or suggestions to direct selling divisions.
 - d. Recommendations or suggestions or requests to merchandising or research and development divisions.
 - e. Sending out circular or form letters to selected lists of customers or potential customers.
 - f. Sending out direct mail advertising matter or other sales promotional material either to selected lists of customers or prospective customers or upon requests from various sources.
 - g. Sending out samples either to selected lists or in response to requests.
 - h. Sending out price lists.
6. Maintenance of classified, rated, mailing lists of customers and prospective customers.
7. Making comparative studies of results of salesmen's work and preparing periodic letters to men in the field appropriately commenting thereon and keeping them posted with respect to developments.
8. Maintaining stocks of advertising matter and other sales promotional material.
9. Acting as clearing house and co-ordinating agency

for requests from all other divisions upon the advertising, merchandising, and sales research divisions.

CAR Sales Research and Development Division

The duties of the Sales Research and Development Division would include:

1. Reading and digesting current literature relating to the use of products, such as trade papers, professional journals, proceedings and bulletins of professional societies, etc., and:
 - a. Bringing anything of importance to the attention of parties concerned, with a view to the promotion of sales or the development of new products.
 - b. Indexing such data for reference.
 - c. Maintaining files of publications or clippings therefrom.
2. Maintaining contacts with associations of product users.
3. Additions to and changes in "data book" with references to products and their uses.
4. Periodic letters to salesmen in regard to new developments in the use of products and other matters of interest relating to the industry.
5. Providing liaison between the Sales Department and the Research and Development Department.
6. Providing liaison between the Research and Development Department and users or other interested outside parties in the development or improvement of products or in the extension of their use.
7. Conduct of market study and analysis for the purpose of defining, evaluating, and extending markets for our products.
8. Study and analysis of competition.
9. The setting up of quotas.

CAV Advertising Division

The Advertising Division would be responsible for:

1. Preparation of proposed annual advertising program and estimate of appropriation required, for consideration of the Comptroller, the Sales Manager and Directors and for administration of such program as approved.
2. Relations and dealings with advertising agencies.
3. Procuring and furnishing to advertising agencies data necessary to the preparation of copy for periodical advertising.
4. Checking and correcting of advertising copy.
5. Acting as clearing house for ideas and suggestions emanating from the direct selling division and other sources within the organization with respect to advertising.

6. Preparation and printing of pamphlets and circulars for direct mail advertising.

7. Co-operating with the merchandising, sales promotion and direct selling divisions in sales campaigns and in launching new products.

CLP Salesmen's Activities Planning and Pricing Division

The duties of this division would include:

- a. Making all routine quotations in response to inquiries.
- b. Routine acknowledgement of orders.
- c. Replying to requests as to dates of shipments.
- d. Editing orders preparatory to typing.
- e. Pricing of orders preparatory to billing.
- f. Follow-up of shipments.

Note: Inquiries not of a routine nature would be routed to the proper direct selling division. Typing of orders and billing would be handled by the order and billing section of the Comptroller's Department.

CLP Salesmen's Activities Planning and Control Division

This division acts as the co-ordinating agency between the men in the field and the various divisions in the Sales Department and the works. Its duties include:

- a. Providing and maintaining "customers' record cards" and "call sheets" for customers and prospective customers in each area.
- b. Scheduling calls, planning routes, and sending call sheets to salesmen at the proper time together with any information, instructions, requests, advice, and copies of correspondence emanating from various sources in the Sales Department or elsewhere.
- c. Receiving and reviewing all reports from salesmen, routing those calling for action to the proper parties, and following up to insure their return after action is taken.
- d. When any necessary action called for by a report has been taken, scheduling and arranging for the salesman's next call.
- e. Preparing periodic reports of salesmen's activities and results thereof.
- f. Co-ordinating work of specialist salesmen with general salesmen or District Sales Managers and with the various divisions of the Sales Department.
- g. Checking expense reports and bringing any-

thing out of the ordinary, or excessive, to the attention of the Sales Manager.

CS Direct Selling Divisions

The duties of these Divisions will be to:

1. Receive through the planning and control division salesmen's reports covering calls on customers in their respective lines when such reports require or suggest specific action or are otherwise of interest.
2. Keep informed through the sales promotional division with respect to sales to their respective classes of customers.
3. Receive and handle all sales correspondence other than that of a routine nature such as is handled by the order and quotation division.
4. Co-operate with and effectively utilize the services of divisions of the Sales Department.
5. Through the planning and control division advise and instruct salesmen with respect to desired action.
6. Ascertain reasons for sales deficiencies and recommend ways and means for improvement.
7. Keep informed through all available channels of developments with respect to uses and users of products, trade practices, competitions, etc., in order that no opportunities for expanding sales in their respective lines may be overlooked and that all proper steps may be taken to that end.
8. Handle all correspondence and other transactions or dealings with actual or prospective customers when same are not of a routine nature.

CT Field Divisions

1. These will consist of the various territories or districts each of which will be supervised by a District Sales Manager who will be responsible to the General Sales Manager and who operates under the guidance of and co-operates with the various functional divisions of the sales department.
2. In each territory there may be several salesmen—some of whom may be specialists devoting their time to sales of a single line of product or to a single class of customers, while others may in a given area handle sales of all products to all customer classes as market surveys may indicate to be best.
3. The District Sales Managers should act as liaison officers between the sales divisions in the office and the men in the field. They should, at sufficiently frequent intervals, spend enough time in the office to keep thor-

oughly informed and to give the Sales Manager and the heads of the various divisions the benefit of their observations and advice with respect to conditions in the field.

4. In the field they should:

a. Systematically supervise the work of their salesmen checking over results, discussing difficulties and affording them such helpful advice, constructive criticism, encouragement and instruction as may be called for.

b. Straighten out difficulties which the salesmen have not been able to handle.

c. Make good-will calls on important customers in company with the salesman or alone as the case may call for.

d. Assist the salesman in closing important contracts or in obtaining large new customers.

e. Seeing that prescribed methods and plans are being followed intelligently.

The various divisions may of course be subdivided into suitable sections—each dealing with certain of the allocated activities.

The accounting system as it has been described in earlier chapters of this series, is designed to supply a monthly profit and loss statement showing the amount of sales of each class and each component article of product, as well as the profit or loss thereon. This is most important to the sales management in visualizing sales trends, as a guide to profitable selective selling; to working for the correction of faulty trade or manufacturing practices which result in inadequate profits, for improvement in the price structure, and in intelligently governing sales promotional activities and expenses. From the same basic data may also be set up analyses of sales by territories, by classes of customers and even individual customers. These supplementary reports may show just what products are sold, the number and amount of individual sales, the adequacy and profitability of sales of various products in different territories to customer classes and to individual customers. The use of tabulating machines naturally facilitates the making of such analyses which in many companies might not otherwise be possible. In some companies—particularly those with numerous products, a large number of customers and a large number of individual small item sales, it may not be feasible, nor may it be desirable to make these detailed, supplementary analyses each month: quarterly, monthly, or even annually may suffice.

In my own practice I have been amazed by the number of deep seated beliefs that have been proved to be

erroneous by the cold facts which such analyses bring to light. The value of information resulting from detailed analyses such as described above, with respect to actual accomplishment is obvious—if consistently and intelligently used. Its value will, however, be greatly enhanced if it is supplemented by painstaking market analysis, such as is indeed necessary to a system of planning and control of sales effort—both in its broader sense as represented by the activities of the functional divisions of the Sales Department and the work of salesmen in the various territories.

The purpose of market analysis should be:

a. To ascertain the potential market for the company's products under normal business conditions.

b. To determine how much of it might properly be regarded as the company's fair and reasonable share.

c. The establishment of "quotas" for each territory.

d. Comparison of actual performance with quotas.

e. Determination of the quantity and quality of additional effort that should be put forth.

There are, of course, many variables involved—some quite difficult to deal with, but fortunately a wealth of good literature and many sources of basic data are available to those concerned with this element of sales management.

The American Society of Mechanical Engineers' Bibliography of Management Literature embraces an extensive list of books, articles and papers dealing with every phase of sales organization and management. A considerable portion of this literature specifically relates to the adaptation and use of the principles and practices of Scientific Management to meet the needs of the Sales Department. The industrial engineer, the General Manager, and the Sales Manager who aim through Scientific Management to increase sales volume, to increase profits and to decrease selling costs will benefit by a well-selected course of reading from this source.

Each business must, in a large measure, work out its own plan of market analysis. In the early stages the results of such an endeavor may not be expected to be either complete or free from inaccuracies; nevertheless, they will be found useful and with increasing experience coupled with perseverance will constantly improve. The first step should be to build up as complete a classified list as possible of actual and prospective customers. Second, to set up a list of the products which each class of customers uses. Third, on some

rating basis, set up the amount of each product that each customer might use. If copies of these lists of products which each customer might use are sent to men in the field along with call sheets and if the salesmen make such check up as circumstances permit, accuracy will gradually come about. Comparison of sales to comparable customers as shown by analysis of actual sales will be found helpful.

It seems almost needless to say that there should be a high degree of co-operation and co-ordination of action between the Sales Manager, the heads of certain divisions, and the production planning department. It is important that the sales department be kept informed with respect to such things as:

- a. Inventories.
- b. Rates of operation—unusual, over loaded or increased plant capacity.
- c. Anticipated or actual reduced production due to material shortage, equipment troubles, or other causes.
- d. Advantageous variations in product which might be profitable if agreeable to customers.

On the other hand the sales department should advise the manufacturing department of probable increases or decreases in sales of various products.

To a great extent what was said in Chapter III of this series with respect to the qualifications of a General Manager seems to apply also in the case of a Sales Manager. He must be primarily an executive, one who can work through and with an organization—rather than one who feels that he must do it all himself. He should delegate authority and responsibility and not swamp himself in a mass of detail. He must inspire the members of his organization with confidence, impart enthusiasm and encourage initiative while seeing that they pull together and do not cross wires and keep within the boundaries of their respective fields of activity. He must establish a policy for fair dealing within his own organization and among the company's customers. He must be able to interpret reports and statistics and above all he should be profit conscious. I do not consider it nearly so important that he should have had actual sales experience as that he should possess managerial ability, an ability to deal with facts and a fairly good acquaintance with all features of the company's business. One of the best Sales Managers that I have known, had been the company's comptroller.

This is the fifteenth in the series of articles on "Applied Scientific Management" which began in the October, 1932, issue of the *Bulletin of the Taylor Society*.

BOOK REVIEWS

Personnel and Labor Relations. By Dale Yoder, Prentice-Hall, Inc., New York, 1938, pages xix, 644. (\$5.35.)

Professor Yoder has made a genuine contribution to the textbook literature on personnel administration. He presents an up-to-date picture of the wide variety of activities now accepted as a part of this total field. And he presents it in the setting of a liberal, experimental and forward-looking attitude which gives proper tone to the whole.

The necessary effort to touch upon so many subjects naturally leads to better results in some fields than in others. The statistical emphasis, for example, is new and useful to the practitioner. The discussion of training seems to me less strong and sharply seen than is desirable. The treatment of collective bargaining, on the other hand, usefully stresses ways and means of successful operation. The chapter on the public service is distinctly worth while and in the light of present developments might well have been longer.

The only important critical comment which I would offer is the failure to discuss how all the procedures described are to be integrated into the activities of line executives and no less how the underlying thinking of line executives from top to bottom is to be made more continuously personnel-conscious. This is the crux of the problem from the point of view of implementation. And since more students of the subject use it in their eventual capacities as general rather than functional executives, they should be brought to think in these terms. For it cannot be too often and too insistently pointed out that in this whole field why we act and how we act are just as important as what we do. Good procedures do not guarantee good personnel work. And wise general policies under generous and affirmative leadership can succeed in the face of technical shortcomings.

I should have been glad to see this volume clearer on this point. But in the main the student will find here a comprehensive and thoroughly competent record of present day practice. By ORDWAY TEAD, Editor of Business & Economic Books, Harper & Brothers, New York.

Experiments in Industrial Psychology. By Adelbert Ford, Kopy Komposers, Philadelphia, 1937, pages 60.

The applications of industrial psychology have received wide notice with the emphasis that such methods may point to more objective data in dealing with the wide ramifications of human relations problems.

The books published in this field generally describe results. The techniques and methods are derived from the psychological laboratory. These methods have been adapted to meet practical application. The manual "Experiments in Industrial Psychology" by Adelbert Ford is an interesting attempt to bring together some of these methods in a systematic fashion for training students in laboratory methods of psychology for application in industry.

The manual describes twelve experimental methods. The first eight experiments deal primarily with statistical methodology. They also cover such items as measurement of job performance and tests of mechanical aptitude.

The last four experimental methods deal with environmental influences of work and investigation of noise. The last three are concerned with work simplifications covering time study and motion study and determinants of work output. The time study methods describes the ascholiagraphic technique which was developed at Lehigh University under the direction of Dr. Ford.

The methods indicated in this manual are interesting compared with techniques in the Cost and Production Handbook and the Mechanical Engineers' Handbook. Although this manual is prepared for college students, it merits the attention of others who are seeking methodology in studying human factors in manufacturing organizations and business. By RICHARD S. SCHULTZ, The Psychological Corporation, New York.

Profitable Public Relations. By Bronson Batchelor, Harper & Brothers Publishers, New York and London, 1938, pages xii, 252. (\$2.50.)

Much has been said of late about the greater social responsibility which must be accepted by modern business men and of the increasing need for statesmanlike qualities in our executives if the "American System" is to endure. Mr. Batchelor, who believes whole-heartedly in that system, has written an effective book in which he contends that even if industry succeeds in meeting these responsibilities, it will avail but little so long as the American people continue in their attitude of suspicion and distrust.

A dramatic indication that such an attitude does exist was shown in a recent extensive survey when nearly two-thirds of the persons interviewed stated that they were definitely antagonistic to industry. This reaction is not a new one and has existed to some extent since Jefferson and Jackson. However, it was not until the early part of the present century that, under such progressives as Theodore Roosevelt, Bryan, La-Follette, and Wilson, the public came to suspect all business and industry was placed definitely on the defensive.

The Interstate Commerce Act, the Hepburn Act, the anti-trust suits, the Federal Reserve act, and the Transportation Act of 1920 were in part both the cause and the effect of the public's antagonism to industry and of its belief in governmental effectiveness in curbing the industrialist. The World War further altered the traditional concept of government and resulted in new aggrandizement of Federal power.

When the collapse came in 1929 and the following depression increased in severity, industrial evils were claimed as the cause. Here was a new war to fight and since private enterprise could not provide jobs for those desiring to work, it was the government's duty to do so and return prosperity. The "New Deal" was swept into power and regimentation of industry became a pass word. Public controls such as the S E C regulations, F T C activities, wage and hour control, heavy corporation taxes, and special commissions are now realities.

Mr. Batchelor recognizes that private enterprise has not always had clean hands and is of the opinion it is largely re-

sponsible for public hostility. There are, of course, examples of flagrant misuse of corporate responsibilities and worse. But even the vast majority of business men to whom unethical practices are repugnant, expect that while earning records are satisfactory, they should be accepted without questions asked. A lack of frankness is primarily at fault. Mr. Batchelor believes that greater candor and patient willingness in dealing with employes and the general public are essential factors in a newly energized "consciousness of consequences."

Although articulate and effective relations with the public are of immense importance to industry, business men as a rule are inarticulate in speaking the language of the people. Leaders of industry have insulated themselves from everything except their own immediate world while an adverse public concept has been firmly established. Furthermore, there are great forces in effect today which tend to strengthen that attitude.

The facts are perhaps discouraging, but Mr. Batchelor is convinced it is not too late to act. He believes that industry—organized and individually—can best build toward public good will through intelligent public relations programs which rest upon straight-forwardness and genuine sincerity of purpose. He seeks to establish a background against which such activities can be evaluated properly, to set up goals, and to create the objectivity which industry must bring to a solution of the problems of developing better public relations and employe morale. Mr. Batchelor also discusses professional methods, techniques and tools, and public relations as a profession. In all of this he is, on the whole, effective.

Profitable Public Relations is an interesting and valuable addition to the limited published material on the subject. It is in many respects elementary, but is the kind of book needed to popularize an important tool of management that may be an essential one if business is to continue under the system of private enterprise. For as Dr. Childs of Princeton has said, "The struggle for power . . . is in a large part a struggle for control over minds of men. The groups which excel . . . will be those most effectively implemented with the techniques and tools of opinion leadership." By H. A. RODDICK, McKinsey, Wellington & Company, New York.

Vertical Integration in the Textile Industries. By Hiram S. Davis, George W. Taylor, C. C. Balderston, Anne Bezanson, Industrial Research Department, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, and The Textile Foundation, Inc., Washington, 1938, pages xii, 132. (\$1.50.)

Textiles required for such products as women's dresses or novelty curtains generally change ownership several times as they flow from raw material to finished goods. But textile products like hosiery and sheets usually remain under one ownership throughout manufacture. The scarcity of integration in women's wear may be compared to the relative frequency with which the manufacture of fabrics is combined with the cutting of men's clothing.

The principal advantages from integration are decreased operating costs, additional profit margins, stability of operations, quality control, certainty of supplies or markets, diversification of outlets, demonstration of uses, and minimized style risks. Among the limitations most difficult to overcome are breaking into a new field, increased inventory and style risks, spreading management, restrictions upon variety, disparity between scales of operation, and inflexibility. The balance depends not only upon the presence of certain favorable factors but also upon the particular methods by which integration is attempted. Some have failed under apparently favorable conditions while others have succeeded against odds.

Forward integration from the mill to the fabrication and sale of garments, etc., requires the development of new markets and is therefore more difficult than backward integration which means principally the creation of a new source of supply. The disparity between the scale of operations required for minimum costs in the mill and that required for the more varied products makes the combination of the two difficult. The greatest obstacle of all, however, is the fact that the self-contained vertical organization does not quickly and easily adjust itself to new conditions involving style, prices, processes, raw materials, or markets.

Partial integration has generally been more successful than complete integration. It requires the use of non-competing markets when integrating forward and of tapering the capacity of new operations when integrating backward so that each supplies only part of the need. Partial integration may help to minimize the speculative aspects of mill specialization but it is by no means to be considered as a panacea.

This is a study of the actual policies followed by textile managements and an appraisal of present-day business experience. Every controller in the textile industry or in any other industry in which integration is a live subject will wish to read this pamphlet. By E. STEWART FREEMAN, Chief Budget Officer, Dennison Manufacturing Company, Framingham, Mass.

Industrial Price Policies. A summary prepared by Maxwell S. Stewart covering the main arguments to be found in *Industrial Price Policies and Economic Progress* by Edwin G. Nourse and Horace B. Drury, Public Affairs Committee, Inc., New York, 1938, pages 32. (\$.10.)

This digest of one of the most important books of recent years on price policies follows its main thesis quite faithfully. The distinction between mere bigness and monopoly is clearly presented, and so is the idea that bigness may not be bad for society just because it is bigness.

In this, as well as in the original basic book, one defect in argument is noteworthy; namely, the failure to make it clear that the price policy of any given concern or for any given commodity may have a recognizable life-history. Many products now produced on a mass basis at low prices and in great volume started as high-priced luxuries and had their

prices reduced not as matters of policy, but as a result of maturing. They perhaps went through the stages of "luxury at a high price" "semi-luxury at a medium price" and "mass product at a low price" as inescapably as a man first must be a baby and then a boy. The incorporation of this thought into the argument would help to reconcile some present apparent contradictions. By PAUL T. CHERINGTON, Management Consultant, 9 Rockefeller Plaza, New York.

Psychological Aspects of Business. By Edward K. Strong, McGraw-Hill Book Company, Inc., New York and London, 1938, pages x, 629. (\$4.00)

This volume ably shows the application of psychology to some of the more pressing problems of every-day business. A little over the first half of the book is a rewrite and condensation, plus new material, of the author's 1925 edition of *Psychology of Selling and Advertising*. Two new chapters on consumer research and propaganda have been added; two new parts or sections on research techniques and employer-employee relations have also been presented.

When one considers the effect of the current impact of labor relations upon the successful management of an enterprise it should be clear that the present day problem which presses for immediate solution is mainly psychological. It is obviously so because it is mostly concerned with how to influence human beings to do what you want done. Thus there no longer exists either the slave-owner type of dominance over workers, or the boss-workman type of dictatorial powers which industry has been using in the past. Whether or not we like this, it is true, and it is probably the result of recent intense unionism and governmental control of industry. It would therefore seem that in the future it will be more difficult for business managers to make a reasonable profit unless they more fully apply psychological methods as an aid to the solution of their problems. This introductory book will aid the manager to develop a background upon which he can solve some of the present industrial relations disputes, and will teach him some of the basic techniques requisite to influencing others.

The main theme of this book covers employee-employer relations, selling and advertising, and stresses how to get people to co-operate in the solution of human problems. The parts on market research questionnaires and methods of statistical analysis are very brief and not all that might be desired because they leave the reader somewhat mystified as to what should really be done in an actual survey. The parts on rating scales and job analysis are not nearly as modern as they might be; some of the material is obsolete. Although a great many references have been given, it seems that the documentation of the text could be greatly improved. But on the whole these comments should not lead one to believe that this book is other than a first-rate introductory presentation on some of the ways in which psychology can be used in business. By E. DILLON SMITH, Professor of Engineering, University of Redlands, Redlands, California.

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